

# **PUBLIC DISCLOSURE**

**March 3, 2014**

## **COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION**

**Bank of the West  
Certificate Number: 3514**

**180 Montgomery Street  
San Francisco, California 94104**

**Federal Deposit Insurance Corporation  
25 Jessie Street at Ecker Square, Suite 2300  
San Francisco, California 94105**

**NOTE:** This document is an evaluation of this institution's record of meeting the credit needs of its entire community, including low- and moderate-income neighborhoods, consistent with safe and sound operations of the institution. This evaluation is not, nor should it be construed as, an assessment of the financial condition of this institution. The rating assigned to this institution does not represent an analysis, conclusion, or opinion of the federal financial supervisory agency concerning the safety and soundness of this financial institution.

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## GENERAL INFORMATION

The Community Reinvestment Act (CRA) requires each federal financial supervisory agency to use its authority when examining financial institutions subject to its supervision, to assess the institution's record of meeting the credit needs of its entire community, including low- and moderate-income (LMI) neighborhoods, consistent with safe and sound operation of the institution. Upon conclusion of such examination, the agency must prepare a written evaluation of the institution's record of meeting the credit needs of its community.

This document is an evaluation of the CRA performance of **Bank of the West (BOW)** prepared by the **Federal Deposit Insurance Corporation (FDIC)**, the institution's supervisory agency, as of **March 3, 2014**. The agency evaluates performance in assessment areas (AA), as they are delineated by the institution, rather than individual branches. This AA evaluation may include the visits to some, but not necessarily all of the institution's branches. The agency rates the CRA performance of an institution consistent with the provisions set forth in Appendix A to 12 CFR Part 345.

## INSTITUTION'S RATING

**INSTITUTION'S CRA RATING: BOW is rated Satisfactory.**

This institution is rated “Satisfactory.” An institution in this group has a satisfactory record of helping to meet the credit needs of its AAs, including LMI neighborhoods, in a manner consistent with its resources and capabilities.

The following table indicates the performance level of BOW with respect to the Lending, Investment, and Service Tests:

PERFORMANCE LEVELS	Bank of the West		
	PERFORMANCE TESTS		
	Lending Test*	Investment Test	Service Test
Outstanding			
High Satisfactory	X	X	
Low Satisfactory			X
Needs to Improve			
Substantial Noncompliance			
(*) The Lending Test is weighted the most when arriving at an overall rating.			

## **SUMMARY OF INSTITUTION'S CRA PERFORMANCE TESTS:**

### **Lending Test – High Satisfactory**

- The institution's lending levels reflect excellent responsiveness to AA credit needs.
- A substantial majority of the bank's loans are originated within its AAs.
- The institution's distribution of loans reflects good penetration of businesses and farms of different revenue sizes, and retail customers of different income levels.
- The institution's geographic distribution of loans reflects a good penetration throughout the AAs.
- The institution exhibited a good record of serving the credit needs of the most disadvantaged individuals, very small businesses or farms, and geographies.
- The institution has made a relatively high level of community development (CD) loans.
- The institution uses innovative and flexible loan products to meet the AA's credit needs.

### **Investment Test – High Satisfactory**

- The institution has a significant level of CD investments and grants, occasionally in a leadership position.
- The institution exhibits good responsiveness to credit and economic development needs.
- The institution makes significant use of innovative and/or complex investments to support CD initiatives.

### **Service Test – Low Satisfactory**

- Delivery systems are accessible to essentially all portions of the institution's AAs.
- To the extent that changes have been made, BOW's opening and closing of branches has generally not adversely affected the accessibility of its delivery systems, particularly in LMI geographies and/or individuals.
- Services do not vary in a way that inconveniences certain portions of the AAs, particularly LMI geographies and/or individuals.
- The institution provided an adequate level of CD services over the review period.

## SCOPE OF THE EVALUATION

The current evaluation was conducted at BOW's main office in San Francisco, California, and its facility in San Ramon, California. Examiners relied on records provided by the bank, public loan and financial information, demographic data from the U.S. Census and D&B, community contacts, and loan information reported under the Home Mortgage Disclosure Act (HMDA) and CRA. The scope of the evaluation is summarized in Appendix A. Terms utilized in this evaluation are further defined in Appendix C.

This evaluation reflects BOW's performance since the previous evaluation dated May 2, 2011. The evaluation period for the presentation of HMDA loans, as well as small business and small farm lending, is January 1, 2012, through December 31, 2013. Table 1 below shows the number and dollar volume by year of the reported HMDA, small business, and small farm loans. For evaluation purposes, the most weight was given to HMDA and small business lending, since these represent the larger product types by number and dollar volume, and less weight was given to small farm lending.

<b>Table 1 – HMDA, Small Business, and Small Farm Loans</b>		
<b>Loan Type</b>	<b>#</b>	<b>\$ (000)</b>
<b>HMDA</b>		
2012	12,121	3,138,023
2013	10,254	3,022,013
<b>Subtotal</b>	<b>22,375</b>	<b>6,160,036</b>
<b>Small Business</b>		
2012	8,921	1,218,018
2013	10,941	1,365,872
<b>Subtotal</b>	<b>19,862</b>	<b>2,583,890</b>
<b>Small Farm</b>		
2012	1,155	169,036
2013	1,213	161,062
<b>Subtotal</b>	<b>2,368</b>	<b>330,098</b>
<b>Total</b>	<b>44,605</b>	<b>9,074,024</b>
<i>Source: 2012 and 2013 HMDA Loan Application Registers (LARs), 2012 and 2013 CRA Loan Registers (LRs)</i>		

For CD loans, investments, and services, the evaluation period is from May 2, 2011, through December 31, 2013.

BOW has 144 AAs in 19 states. For evaluation purposes, examiners combined contiguous metropolitan statistical areas (MSAs) that are part of combined statistical area (CSA). Examiners also combined non-metropolitan (Non-MSAs) AAs in each state. Refer to Appendix A for a listing of all AAs presented in this analysis.

Given that loan production and branch infrastructure is concentrated in California, the California portion of this evaluation carries the most weight in determining the overall rating. States will be presented in descending order of the total number of reported small business, small farm, and HMDA loans in 2012 and 2013. Although the facts and data presented for these states are not as detailed as California, it is important to note that the level of examiner scrutiny and analysis was

not reduced. Rather, the level of data presentation, AA description, and community contact information is adjusted to produce a more concise report given BOW's multi-state operations.

The lending, investment, and service test ratings are assigned for each state and multi-state MSA AA. These ratings are presented in each respective state or multi-state MSA evaluation and summarized in Appendix B. Where BOW does not have a branch presence in both states of a multi-state MSA, the AA will be treated as a non-multi-state MSA AA, will be analyzed individually, and will be included in the respective state analysis.

Full-scope examination procedures were used to determine the bank's performance in a single selected AA per state with two exceptions: California and North Dakota. In California, the San Jose-San Francisco-Oakland CSA AA and the Los Angeles-Long Beach-Riverside CSA AA were both reviewed using full-scope examination procedures. In North Dakota, the Fargo MSA AA and the North Dakota Non-MSA AA were both reviewed using full-scope examination procedures. Full-scope AA evaluations include demographic and economic data in the body of the report. Limited-scope procedures were used to evaluate BOW's performance in all of the other AAs. Demographic data regarding limited-scope AAs is presented in Appendix F.

Table 2 details the loan products reviewed in this evaluation by state and multi-state area for 2012 and 2013.

<b>Table 2 – Loans by State or Multi-State MSA</b>				
<b>State or Multi-State MSA</b>	<b>2012</b>		<b>2013</b>	
	<b>#</b>	<b>%</b>	<b>#</b>	<b>%</b>
<b>Small Business Loans</b>				
California	4,549	54.9	6,118	60.1
Colorado	872	10.5	890	8.7
Iowa	339	4.1	390	3.8
Minnesota	224	2.7	260	2.6
Oregon	410	4.9	497	4.9
Omaha Multi-State	186	2.2	200	2.0
New Mexico	297	3.6	269	2.6
Nebraska	118	1.4	153	1.5
Kansas	156	1.9	158	1.6
Kansas City Multi-State	281	3.4	278	2.7
Wyoming	141	1.7	115	1.1
Arizona	126	1.5	143	1.4
Oklahoma	83	1.0	121	1.2
Nevada	149	1.8	153	1.5
South Dakota	49	0.6	75	0.7
Idaho	112	1.4	139	1.4
North Dakota	52	0.6	59	0.6
Washington	72	0.9	80	0.8
Utah	66	0.8	75	0.7
Wisconsin	5	0.1	7	0.1
<b>Total</b>	<b>8,287</b>	<b>100.0</b>	<b>10,180</b>	<b>100.0</b>
<b>Small Farm Loans</b>				
California	206	23.0	190	20.2
Colorado	36	4.0	40	4.2



Iowa	45	5.0	61	6.5
Minnesota	252	28.2	291	30.9
Oregon	22	2.5	20	2.1
Omaha Multi-State	18	2.0	14	1.5
New Mexico	2	0.2	4	0.4
Nebraska	67	7.5	109	11.6
Kansas	12	1.3	13	1.4
Kansas City Multi-State	0	0.0	3	0.3
Wyoming	25	2.8	22	2.3
Arizona	7	0.8	4	0.4
Oklahoma	3	0.3	4	0.4
Nevada	1	0.1	2	0.2
South Dakota	123	13.7	105	11.1
Idaho	4	0.5	4	0.4
North Dakota	56	6.3	44	4.7
Washington	16	1.8	13	1.4
Utah	0	0.0	0	0.0
Wisconsin	0	0.0	0	0.0
<b>Total</b>	<b>895</b>	<b>100.0</b>	<b>943</b>	<b>100.0</b>
<b>HMDA Loans</b>				
California	5,194	46.9	4,484	47.8
Colorado	1,255	11.3	1,202	12.8
Iowa	632	5.7	472	5.0
Minnesota	309	2.8	243	2.6
Oregon	266	2.4	281	3.0
Omaha Multi-State	657	5.9	403	4.3
New Mexico	441	4.0	356	3.8
Nebraska	354	3.2	305	3.3
Kansas	417	3.8	303	3.2
Kansas City Multi-State	241	2.2	199	2.1
Wyoming	290	2.6	257	2.7
Arizona	227	2.1	237	2.5
Oklahoma	272	2.5	181	1.9
Nevada	103	0.9	147	1.6
South Dakota	59	0.5	47	0.5
Idaho	90	0.8	89	0.9
North Dakota	130	1.2	78	0.8
Washington	71	0.6	44	0.5
Utah	40	0.4	46	0.5
Wisconsin	23	0.2	17	0.2
<b>Total</b>	<b>11,071</b>	<b>100.0</b>	<b>9,391</b>	<b>100.0</b>
<i>Source: 2012 and 2013 HMDA LARs, 2012 and 2013 CRA LR</i> s				

Table 3 details the bank's branches and automatic teller machines (ATMs) by state and multi-state area as of the evaluation date. The vast majority of the bank's branches and ATMs are in California with 246 and 290, respectively.

<b>Table 3 – Branches and ATMs by State or Multi-State MSA</b>		
<b>State or Multi-State MSA</b>	<b>Branches</b>	<b>ATMs</b>
California	246	290
Colorado	81	82
Iowa	26	31
Minnesota	23	20
Oregon	26	27
Omaha Multi-State	23	31
New Mexico	26	27
Nebraska	19	19
Kansas	13	13
Kansas City Multi-State	11	13
Wyoming	24	26
Arizona	18	18
Oklahoma	15	14
Nevada	8	8
South Dakota	8	6
Idaho	6	6
North Dakota	7	7
Washington	7	8
Utah	5	5
Wisconsin	1	1
<b>Total</b>	<b>593</b>	<b>652</b>
<i>Source: Bank records</i>		

This evaluation will present HMDA-reportable loans grouped together as one loan category. Performance by separate product will be presented only if the information would yield a different conclusion or significantly add to the analysis. All lending pattern analyses will be presented based on number of loans originated. Dollar volumes will be excluded unless the information yields a different conclusion, or in some manner significantly adds to the analysis.

## DESCRIPTION OF INSTITUTION

Headquartered in San Francisco, California, BOW is a full-service, commercial bank with 593 branch facilities in 19 states. BOW is one of two bank subsidiaries of BancWest Corporation (BWE), also headquartered in San Francisco. BWE's other bank subsidiary is First Hawaiian Bank, Hawaii's largest bank.

BWE is a wholly owned subsidiary of BNP Paribas (BNPP), France's largest banking group. As of December 31, 2013, BNPP's total assets equaled €1.8 trillion, making BNPP one of the largest banking groups in the world.

As of December 31, 2013, BOW reported total assets of \$66.5 billion, total deposits of \$48.4 billion, and total equity capital of \$11.7 billion. The loan portfolio consists primarily of consumer loans, commercial real estate loans, 1 to 4 family residential property loans, and commercial and industrial loans. Table 4 details the bank's loan portfolio as of December 31, 2013.

<b>Table 4 - Loan Portfolio Distribution as of December 31, 2013</b>		
<b>Loan Type</b>	<b>Dollar Volume \$ (000)</b>	<b>Percentage of Total Loans</b>
Construction and Land Development	1,021,353	2.2
Secured by Farmland	1,206,474	2.5
Revolving Open-end 1 to 4 Family Residential	2,162,346	4.6
Closed-end 1 to 4 Family Residential First Lien	6,797,779	14.4
Closed-end 1 to 4 Family Residential Junior Lien	287,070	0.6
Multi-family Residential	759,813	1.6
Commercial Real Estate	9,270,571	19.6
<b>Total Real Estate Secured</b>	<b>21,505,406</b>	<b>45.5</b>
Loans to Finance Agricultural Production	2,434,348	5.1
Commercial and Industrial Loans	6,877,300	14.5
Consumer Credit Cards	122,717	0.3
Other Consumer Revolving Loans	141,170	0.3
Closed-end Consumer Loans	12,366,462	26.1
Obligations of States and Political Subdivisions	67,245	0.1
Other Loans	3,829,042	8.1
Less: Any Unearned Income on Loans	0	0.0
<b>Total Loans</b>	<b>47,343,690</b>	<b>100.0</b>
<i>Source: December 31, 2013 Consolidated Report of Condition</i>		

The above figures do not take into account the large number of loans BOW originates and sells in the secondary market. For 2013, 2012, and 2011, BOW sold 6,196, 6,964, and 3,509 loans worth \$1.3 billion, \$1.4 billion, and \$691.3 million, respectively. There are no legal or financial impediments that would inhibit BOW's ability to meet the credit needs of its communities, consistent with its business strategy, size, and resources, as well as the local economic climate in each state. At the May 2, 2011, CRA Performance Evaluation (PE), BOW received a "Satisfactory" rating. Refer to the Service Test for a description of products and services.

The bank's operations cover 19 states. The combined assessment area (CAA) has a total population of 61.4 million and owner-occupied housing units of 13.3 million. The CAA also has 5.7 million businesses and 153,400 farms. Table 5 below provides additional demographic information about the CAA.

**Table 5 – Demographic Information**

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Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA % of #
Census Tracts (CT)	14,002	7.9	24.1	36.9	30.1	1.0
Population by CT Income Level	61,372,365	7.0	24.3	37.6	30.8	0.3
Owner-Occupied Housing Units by CT Income Level	13,284,036	3.0	17.7	40.6	38.7	0.0
Businesses by CT Income Level	5,646,429	6.2	19.2	35.7	38.5	0.4
Farms by CT Income Level	153,378	2.7	14.8	50.2	32.2	0.1
Families by Income Level	14,416,068	21.7	17.3	20.0	41.0	0.0
Families by CT Income Level	5,623,505	11.6	34.6	36.6	17.2	0.0
Median Family Income		\$67,125	Median Housing Value		\$ 365,218	
Housing and Urban Development (HUD) Adjusted Median Family Income for 2013		\$68,139				
Households Below Poverty Level		12.0%				
Source: 2010 U.S. Census Data, 2013 D&B Data						

## **OVERALL COMBINED ASSESSMENT AREA CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS**

### **LENDING TEST**

The Lending Test evaluates the institution's record of helping to meet the credit needs of its AAs by considering an institution's small business, small farm, HMDA, and CD lending. The institution's lending performance is evaluated under the following criteria:

- Proportion of lending within the AAs;
- Volume of lending activity;
- Borrower profile;
- Geographic distribution of loans;
- Responsiveness to the disadvantaged;
- The quality and volume of CD lending; and
- The use of innovative and flexible lending practices.

BOW is rated "High Satisfactory" in the Lending Test. Borrower profile refers to the record of lending to borrowers of different income levels and businesses of different revenue sizes. Geographic distribution of loans refers to the record of lending in geographies of different income levels. Responsiveness to the disadvantaged refers to a bank's record in meeting the credit needs of the most economically disadvantaged geographies, persons, as well as very small businesses or farms. The seven components of the Lending Test are not weighted equally. Borrower profile and geographic distribution are weighted heaviest in the Lending Test rating. BOW's performance in each state is also not weighted equally. The California performance comprises the greatest percentage of the overall rating given the bank's presence in that state. Table 6 on the following page summarizes the corresponding performance for each Lending Test component after blending the performance in each state.

<b>Table 6 – Lending Test Components</b>	
<b>Lending Test Criteria</b>	<b>Descriptive Performance</b>
Lending Levels	Lending Levels Reflect Excellent Responsiveness to Credit Needs
Lending within AAs	A substantial majority of Loans are made in the bank's AAs
Borrower Profile	Good Penetration of Borrowers of Different Sizes/Incomes
Geographic Distribution	Good Distribution Throughout the AAs
Responsiveness to the Disadvantaged	Good Record of Serving the Disadvantaged
CD Lending	Relatively High Level of CD Loans
Innovative / Flexible Lending Practices	Uses Flexible Products and Programs
<i>Source: Bank records</i>	

### **Lending Activity**

Lending levels reflect excellent responsiveness to the needs of the AAs. To evaluate HMDA, small business, and small farm loan lending levels, examiners review market share figures and changes in market share over the review period; however, performance by state or multi-state varies. Tables 7-9 detail the bank's market share in the reportable loan categories of HMDA, small business, and small farm loans, as well as the bank's deposit market share by state and multi-state area. Refer to each respective state and multi-state analysis for details.

<b>Table 7 – HMDA Loan Market Share</b>		
<b>State or Multi-State MSA</b>	<b>2012</b>	
	<b>Rank (#)</b>	<b>Market Share %</b>
All States Combined	40 of 2,783	0.3
California	54 of 1,120	0.3
Colorado	43 of 853	0.5
Iowa	27 of 463	0.8
Minnesota	57 of 652	0.2
Oregon	59 of 490	0.2
Omaha Multi-State	17 of 349	1.4
New Mexico	24 of 362	1.0
Nebraska	22 of 273	1.2
Kansas	16 of 308	1.4
Kansas City Multi-State	61 of 556	0.3
Wyoming	18 of 282	1.2
Arizona	121 of 873	0.1
Oklahoma	48 of 475	0.4
Nevada	94 of 445	0.1
South Dakota	5 of 97	5.0
Idaho	60 of 296	0.3
North Dakota	19 of 168	1.2
Washington	120 of 514	0.1
Utah	116 of 332	0.1
Wisconsin	13 of 205	1.2
<i>Source: 2012 HMDA Aggregate Data</i>		

<b>Table 8 – Small Business Loan and Deposit Market Shares</b>			
<b>State or Multi-State MSA</b>	<b>2012</b>		<b>Deposit Market Share %</b>
	<b>Rank (\$)</b>	<b>Market Share %</b>	
All States Combined	15 of 413	2.6	2.0
California	8 of 260	3.1	2.9
Colorado	17 of 165	1.0	4.2
Iowa	13 of 78	1.8	2.7
Minnesota	17 of 111	1.1	0.5
Oregon	10 of 84	3.5	2.9
Omaha Multi-State	9 of 68	2.9	4.6
New Mexico	3 of 77	8.7	10
Nebraska	17 of 58	1.0	2.8
Kansas	8 of 73	3.3	2.2
Kansas City Multi-State	16 of 120	1.5	0.9
Wyoming	8 of 65	3.0	7.4
Arizona	21 of 178	0.8	1.2
Oklahoma	31 of 108	0.6	0.5
Nevada	13 of 128	2.0	0.3
South Dakota	6 of 38	4.8	16.9
Idaho	11 of 54	3.5	1.1
North Dakota	10 of 47	1.8	2.1
Washington	30 of 108	0.5	0.3
Utah	11 of 76	1.6	0.04
Wisconsin	7 of 29	1.8	10.3
<i>Source: 2012 CRA Aggregate Data, June 2013 FDIC Summary of Deposits</i>			

<b>Table 9 – Small Farm Loan Market Share</b>		
<b>State or Multi-State MSA</b>	<b>2012</b>	
	<b>Rank (\$)</b>	<b>Market Share %</b>
All States Combined	2 of 163	6.7
California	3 of 69	11.8
Colorado	5 of 42	2.9
Iowa	8 of 39	2.9
Minnesota	2 of 39	16.7
Oregon	7 of 29	4.3
Omaha Multi-State	10 of 24	2.0
New Mexico	*	*
Nebraska	9 of 27	1.9
Kansas	10 of 26	2.1
Kansas City Multi-State	*	*
Wyoming	*	*
Arizona	*	*
Oklahoma	*	*
Nevada	*	*
South Dakota	3 of 21	9.1
Idaho	*	*
North Dakota	5 of 23	4.8
Washington	*	*
Utah	*	*
Wisconsin	*	*
Source: 2012 CRA Aggregate Data		
*BOW's farm lending will not be presented in these areas, due to little to no volume.		



## **AA Concentration**

A substantial majority of loans are made within the bank's AAs. Table 10 on the next page shows BOW's reportable HMDA, small business, and small farm loans originated by all AAs during 2012 and 2013. In total, the table shows that 91.4 percent by number, and 91.9 percent by dollar volume of loans were made inside the AAs. These overall percentages were compared to those at the last evaluation. The proportion of lending within the AAs is very comparable to the last evaluation (91.9 percent by number of loans and 90.9 percent by dollar volume were inside the AAs at the last PE).

As shown in Table 10, 91.5 percent of all HMDA loans, 93.0 percent of all small business loans, and 77.6 percent of all small farm loans by number were originated inside the AAs. In addition, 92.9 percent of all HMDA loans, 91.7 percent of all small business loans, and 73.7 percent of all small farm loans by dollar volume were originated inside the AAs. The ratios for lending inside the AAs are comparable to the last evaluation. At the last evaluation, 91.5 percent of all HMDA loans, 94.9 percent of all small business loans, and 78.1 percent of all small farm loans by number were originated inside the AAs. By dollar volume at the last evaluation, 92.5 percent of all HMDA loans, 91.2 percent of all small business loans, and 72.3 percent of all small farm loans by dollar volume were originated inside the AAs.

This lending component is only discussed in the CAA section of this PE since all of the assessed states and AAs are combined to determine the overall AA concentration ratios.

Table 10 - Distribution of Loans Inside and Outside the CAA										
Loan Type	Number of Loans					Dollar Amount of Loans				
	Inside CAA		Outside CAA		Total	Inside CAA		Outside CAA		Total
	#	%	#	%		\$ (000)	%	\$ (000)	%	
HMDA										
2012	11,071	91.3	1,050	8.7	12,121	2,928,386	93.3	209,637	6.7	3,138,023
2013	9,391	91.6	863	8.4	10,254	2,795,474	92.5	226,539	7.5	3,022,013
Subtotal	20,462	91.5	1,913	8.5	22,375	5,723,860	92.9	436,176	7.1	6,160,036
Small Business										
2012	8,287	92.9	634	7.1	8,921	1,112,565	91.3	105,453	8.7	1,218,018
2013	10,180	93.0	761	7.0	10,941	1,256,220	92.0	109,652	8.0	1,365,872
Subtotal	18,467	93.0	1,395	7.0	19,862	2,368,785	91.7	215,105	8.3	2,583,890
Small Farm										
2012	895	77.5	260	22.5	1,155	123,590	73.1	45,446	26.9	169,036
2013	943	77.7	270	22.3	1,213	119,755	74.4	41,307	25.6	161,062
Subtotal	1,838	77.6	530	22.4	2,368	243,345	73.7	86,753	26.3	330,098
Total	40,767	91.4	3,838	8.6	44,605	8,335,990	91.9	738,034	8.1	9,074,024
Source: 2012 and 2013 HMDA LARs, 2012 and 2013 CRA LRs										

## **Borrower Profile**

The distribution of borrowers reflects, given the product lines by institution, good penetration among retail customers of different income levels and business customers of different revenue sizes. The most weight was given to HMDA and small business lending. Also considered in determining the overall borrower profile conclusion was, to a lesser degree, BOW's distribution of small farm lending. The conclusions considered the bank's performance at the individual state and AA levels.

### **HMDA Loans**

The distribution of borrowers reflects good penetration among retail customers of different income levels. For comparison purposes, demographic and 2012 aggregate data are included in Table 11 on the following page. BOW's 2012 HMDA lending to low-income borrowers (8.7 percent) exceeds 2012 aggregate data (6.2 percent). In 2013, lending to low-income borrowers declined slightly to 7.8 percent and lags the percent of families (21.7 percent). In 2012, the bank's percentage of lending to moderate-income borrowers (18.4 percent) also exceeds aggregate data (14.4 percent). In 2013, lending to moderate-income borrowers declined slightly to 16.9 percent and is in line with the percent of families (17.3 percent). BOW's performance is considered good in this borrower profile category since (a) not all low-income families can afford home loans and (b) the bank's percentages exceeded 2012 aggregate in both low- and moderate-income categories.

<b>Table 11 - HMDA Loan Borrower Profile</b>						
<b>Borrower Income Level</b>	<b>2010 Census Families</b>	<b>2012 Aggregate Data</b>	<b>2012 Bank</b>		<b>2013 Bank</b>	
	<b>%</b>	<b>%</b>	<b>#</b>	<b>%</b>	<b>#</b>	<b>%</b>
Low	21.7	6.2	963	8.7	736	7.8
Moderate	17.3	14.4	2,038	18.4	1,591	16.9
Middle	20.0	20.4	2,318	20.9	1,874	20.0
Upper	41.0	45.5	5,033	45.5	4,646	49.5
Income Not Reported	0.0	13.5	719	6.5	544	5.8
<b>Total</b>	<b>100.0</b>	<b>100.0</b>	<b>11,071</b>	<b>100.0</b>	<b>9,391</b>	<b>100.0</b>
<i>Source: 2010 U.S. Census, 2012 HMDA Aggregate Data, 2012 and 2013 HMDA LARs</i>						

### Small Business Loans

Small business lending reflects good penetration among business customers of different revenue sizes. Table 12 shows the gross annual revenue (GAR) distribution of the bank's small business lending, along with aggregate and D&B data for the CAA. As shown, BOW's 2012 lending well exceeds aggregate data (61.6 percent of the bank's small business loans were to businesses with GARs of \$1 million or less, compared to 42.2 percent of aggregate data showing GARs of \$1 million or less). D&B data has its limitation because the survey is voluntary and the data includes very small businesses which may not have credit needs. Given this consideration, the bank's proportional lending to businesses with GARs of \$1 million or less for 2013 (64.7 percent) is reasonable when compared to D&B data (72.2 percent).

<b>Table 12 – Small Business Loan Borrower Profile</b>						
<b>Gross Annual Revenues</b>	<b>2013 D&amp;B</b>	<b>2012 Aggregate Data</b>	<b>2012 Bank</b>		<b>2013 Bank</b>	
	<b>%</b>	<b>%</b>	<b>#</b>	<b>%</b>	<b>#</b>	<b>%</b>
≤ \$1 Million	72.2	42.2	5,108	61.6	6,588	64.7
> \$1 Million	4.2		2,872	34.7	3,149	30.9
Not Applicable	23.6		307	3.7	443	4.4
<b>Total</b>	<b>100.0</b>		<b>8,287</b>	<b>100.0</b>	<b>10,180</b>	<b>100.0</b>
<i>Source: 2013 D&amp;B, 2012 CRA Aggregate Data, 2012 and 2013 CRA LRs</i>						

### Small Farm Loans

Small farm lending reflects good penetration among farm customers of different revenue sizes. Table 13 on the following page shows the GAR distribution of the bank's small farm lending, along with aggregate and D&B data for the CAA. As shown, BOW's 2012 lending exceeds aggregate data (68.5 percent of the bank's small farm loans were to farms with GARs of \$1 million or less, compared to 57.2 percent of aggregate data showing GARs of \$1 million or less). Similar to what was stated earlier for small business lending, D&B data has its limitation because the survey is voluntary and the data includes very small farms which may not have credit needs.

Given this consideration, the bank's proportional lending to farms with GARs of \$1 million or less for 2013 (72.4 percent) is reasonable when compared to D&B data (95.8 percent).

<b>Table 13 – Small Farm Loan Borrower Profile</b>						
<b>Gross Annual Revenues</b>	<b>2013 D&amp;B</b>	<b>2012 Aggregate Data</b>	<b>2012 Bank</b>		<b>2013 Bank</b>	
	<b>%</b>	<b>%</b>	<b>#</b>	<b>%</b>	<b>#</b>	<b>%</b>
≤ \$1 Million	95.8	57.2	613	68.5	683	72.4
> \$1 Million	3.0		230	25.7	209	22.2
Not Applicable	1.2		52	5.8	51	5.4
<b>Total</b>	<b>100.0</b>		<b>895</b>	<b>100.0</b>	<b>943</b>	<b>100.0</b>
<i>Source: 2013 D&amp;B, 2012 CRA Aggregate Data, 2012 and 2013 CRA LRs</i>						

### **Geographic Distribution**

The geographic distribution of loans reflects good penetration throughout the AAs. The most weight was given to HMDA and small business lending. Also considered in determining the overall conclusion for geographic distribution was, to a lesser degree, BOW's small farm lending.

### **HMDA Loans**

The geographic distribution of HMDA loans reflects good penetration throughout the CAA. Table 14 shows the distribution of HMDA loans by the income category of CTs, along with aggregate and demographic data. In 2012, BOW's penetration of LMI CTs (2.3 and 13.1 percent, respectively) exceeds aggregate data in the respective CTs (1.9 and 12.3 percent, respectively). BOW's same 2012 LMI CT percentages slightly lag demographic data of owner-occupied housing units in the AAs in LMI CTs (3.0 and 17.7 percent, respectively). In 2013, BOW's LMI CTs penetration showed a slight increase. The overall performance in this category is good since BOW outperformed the aggregate lending data in LMI areas.

<b>Table 14 – HMDA Loan Geographic Distribution</b>						
<b>CT Income Level</b>	<b>Owner-Occupied Housing Units</b>	<b>2012 Aggregate Lending Data</b>	<b>2012 Bank</b>		<b>2013 Bank</b>	
	<b>%</b>	<b>%</b>	<b>#</b>	<b>%</b>	<b>#</b>	<b>%</b>
Low	3.0	1.9	257	2.3	255	2.7
Moderate	17.7	12.3	1,444	13.1	1,280	13.6
Middle	40.6	37.2	4,647	42.0	4,077	43.4
Upper	38.7	48.6	4,721	42.6	3,779	40.3
N/A	0.0	0.0	2	0.0	0	0.0
<b>Total</b>	<b>100.0</b>	<b>100.0</b>	<b>11,071</b>	<b>100.0</b>	<b>9,391</b>	<b>100.0</b>
<i>Source: 2010 U.S. Census, 2012 HMDA Aggregate Data, 2012 and 2013 HMDA LARs</i>						

### Small Business Loans

The geographic distribution of small business loans reflects good penetration throughout the AAs. Table 15 shows the distribution of BOW's small business loans by the income category of the CTs within the CAA along with aggregate and D&B data. BOW's 2012 lending in the LMI CTs (6.5 and 23.7 percent, respectively) exceeds 2012 aggregate data (5.7 and 18.2 percent, respectively). The 2013 penetrations of LMI CTs (6.5 and 21.5 percent, respectively) are similar to the proportion of businesses in the respective CTs (6.2 and 19.2 percent, respectively). Overall performance in this category is still good since the bank's performance exceeds aggregate lending data in LMI areas.

<b>Table 15 – Small Business Loan Geographic Distribution</b>						
<b>CT Income Level</b>	<b>2013 D&amp;B</b>	<b>2012 Aggregate Data</b>	<b>2012 Bank</b>		<b>2013 Bank</b>	
	<b>%</b>	<b>%</b>	<b>#</b>	<b>%</b>	<b>#</b>	<b>%</b>
Low	6.2	5.7	541	6.5	663	6.5
Moderate	19.2	18.2	1,962	23.7	2,193	21.5
Middle	35.7	34.7	3,305	39.9	4,089	40.2
Upper	38.5	41.0	2,415	29.1	3,164	31.1
N/A	0.4	0.4	64	0.8	71	0.7
<b>Total</b>	<b>100.0</b>	<b>100.0</b>	<b>8,287</b>	<b>100.0</b>	<b>10,180</b>	<b>100.0</b>
<i>Source: 2013 D&amp;B, 2012 Aggregate Data, 2012 and 2013 CRA LRs</i>						

### Small Farm Loans

The geographic distribution of small farm loans reflects adequate penetration throughout the AAs. Table 16 on the following page shows the distribution of BOW's small farm loans by the income category of the CTs within the CAA, along with aggregate and D&B data. BOW's 2012 lending in the LMI CTs (1.0 and 7.6 percent, respectively) is similar to the 2012 aggregate data (0.9 and 8.1 percent, respectively). The 2013 penetrations of LMI CTs (0.3 and 7.9 percent, respectively) lag the proportion of farms in the respective CTs (2.7 and 14.8 percent, respectively). Overall performance in this category is adequate since the bank's performance is in line with aggregate lending data.

<b>Table 16 – Small Farm Loan Geographic Distribution</b>						
<b>CT Income Level</b>	<b>2013 D&amp;B</b>	<b>2012 Aggregate Lending Data</b>	<b>2012 Bank</b>		<b>2013 Bank</b>	
	<b>%</b>	<b>%</b>	<b>#</b>	<b>%</b>	<b>#</b>	<b>%</b>
Low	2.7	0.9	9	1.0	3	0.3
Moderate	14.8	8.1	68	7.6	74	7.9
Middle	50.2	67.3	677	75.6	718	76.1
Upper	32.2	23.7	141	15.8	148	15.7
N/A	0.1	0.0	0	0.0	0	0.0
<b>Total</b>	<b>100.0</b>	<b>100.0</b>	<b>895</b>	<b>100.0</b>	<b>943</b>	<b>100.0</b>
<i>Source: 2010 U.S. Census, 2012 CRA Aggregate Data, 2012 and 2013 CRA LRs</i>						

### **Record of Serving the Needs of Highly Economically Disadvantaged**

During the review period, BOW exhibited a good record of serving the credit needs of the most economically disadvantaged areas of its CAA, low-income individuals, and/or very small businesses and farms, consistent with safe and sound banking practices. As indicated above in the Lending Test, the bank's lending activities to low-income areas and borrowers exceeded aggregate data. The distribution of borrower's analysis shows that the bank's lending activities to small businesses and farms with GARs of \$1 million or less exceeded aggregate lending data. Special loan programs that focus on serving the needs of the highly economically disadvantaged were noted when conducting the innovative and flexible lending review. Please refer to the Innovative and Flexible Lending Practices Section for details.

### **CD Loans**

BOW makes a relatively high level of CD loans, and is directly involved in the financing of many CD projects. The bank originated 646 CD loans totaling approximately \$2.8 billion that directly benefited the bank's CAA, and an additional 58 CD loans in 12 states totaling \$345.6 million during the evaluation period that are located within the bank's state footprints, but outside of designated AAs. The bank's qualified CD loans from the current period have increased compared to the qualified CD loans identified during the previous CRA evaluation conducted in May 2, 2011 (322 CD loans totaling \$1.4 billion). Current period qualified CD loans represent 4.7 percent of total assets, 26.6 percent of total equity capital, and 6.7 percent of total net loans based on the December 31, 2013, Call Report. The performance ratios increased from those at May 2, 2011, evaluation, which at that time were 2.4 percent of total assets, 13.1 percent of total equity capital, and 3.4 percent of total net loans.

BOW works in partnership with several federal, state, and municipal agencies, as well as a number of CD intermediaries to support the ongoing missions of affordable housing and economic revitalization projects throughout its CAA. BOW provides a wide range of financing solutions for affordable housing and economic revitalization projects that include the following: construction, long- or short-term permanent, acquisition, and refinancing loans; letters of credit to enhance bonds; lines of credit to non-profit developers for predevelopment expenses, land

acquisition and entitlement; and processing of affordable housing program loan applications as a program sponsor.

Table 17 provides the number and dollar volume of CD loans originated over the review period by state and CD purpose benefiting the bank's delineated CAA. The table also shows a significant concentration of the number of loans (55.7 percent) benefiting initiatives to revitalize and stabilize LMI and designated redevelopment areas. The loan activity also addresses needs for economic development (21.8 percent), affordable housing (12.1 percent), and services to LMI individuals (10.4 percent).

<b>Table 17 – CD Lending</b>												
<b>State or Multi-State MSA</b>	<b>Total</b>		<b>Affordable Housing</b>		<b>Community Services</b>		<b>Economic Development</b>		<b>Revitalization or Stabilization</b>		<b>Neighborhood Stabilization</b>	
	<b>#</b>	<b>\$ (000)</b>	<b>#</b>	<b>\$ (000)</b>	<b>#</b>	<b>\$ (000)</b>	<b>#</b>	<b>\$ (000)</b>	<b>#</b>	<b>\$ (000)</b>	<b>#</b>	<b>\$ (000)</b>
California	326	1,504,050	43	235,754	39	155,199	91	209,919	153	903,178	0	0
Colorado	48	153,907	10	32,864	0	0	9	20,198	29	100,845	0	0
Iowa	7	11,190	1	3,290	0	0	2	2,200	4	5,700	0	0
Minnesota	31	121,837	1	330	2	1,813	4	7,434	24	112,260	0	0
Oregon	40	182,755	2	2,637	6	8,692	6	11,606	26	159,820	0	0
Omaha Multi-State	4	78,262	2	3,262	0	0	0	0	2	75,000	0	0
New Mexico	14	25,941	0	0	2	2,316	3	1,622	9	22,003	0	0
Nebraska	7	8,663	0	0	1	1,163	3	3,600	3	3,900	0	0
Kansas	10	79,982	2	2,432	0	0	0	0	8	77,550	0	0
Kansas City Multi-State	17	44,815	1	1,674	1	4,000	2	2,461	13	36,680	0	0
Wyoming	8	13,703	0	0	5	7,477	0	0	3	6,226	0	0
Arizona	26	107,548	8	21,226	3	18,736	5	7,573	10	60,013	0	0
Oklahoma	17	75,298	0	0	4	21,445	0	0	13	53,853	0	0
Nevada	34	159,085	2	2,364	1	1,250	8	30,464	23	125,007	0	0
South Dakota	16	20,902	0	0	1	75	0	0	15	20,827	0	0
Idaho	9	42,565	3	2,640	0	0	4	7,425	2	32,500	0	0
North Dakota	10	23,675	0	0	2	2,000	0	0	8	21,675	0	0
Washington	15	29,422	3	2,658	0	0	3	3,864	9	22,900	0	0
Utah	5	81,814	0	0	0	0	1	2,645	4	79,169	0	0
Wisconsin	2	6,000	0	0	0	0	0	0	2	6,000	0	0
<b>Total*</b>	<b>646</b>	<b>2,771,414</b>	<b>78</b>	<b>311,131</b>	<b>67</b>	<b>224,166</b>	<b>141</b>	<b>311,011</b>	<b>360</b>	<b>1,925,106</b>	<b>0</b>	<b>0</b>
<i>Source: Bank records</i>												
<i>*In addition to the CD loans noted above, the bank also originated 58 CD loans in 12 states totaling \$345.6 million during the evaluation period that are located within the bank's state footprints, but outside of designated AAs.</i>												

The above table shows that the level of CD loans is concentrated in California, which is relatively high by number. The current California level represents an increase when compared to the bank's California performance at the previous evaluation (194 loans totaling \$970.4 million).

The table footnote shows that BOW also originated 58 CD loans in 12 states totaling \$345.6 million that benefited areas outside of the bank's delineated AAs; however, the CD loans that do not directly benefit the bank's AAs are given less weight in the performance rating.

Refer to each respective state analysis for further details regarding CD loan.

### **Innovative and Flexible Lending Practices**

BOW uses flexible lending practices to serve the credit needs of its AAs. BOW's flexible lending products and programs are available at all of the bank's offices; therefore, this criterion is not repeated throughout the evaluation of the bank's performance within the various states. At the previous evaluation, the bank had 21,766 flexible loans totaling \$3 billion. BOW's current performance reflected in Table 18 shows an increase since the previous evaluation, which is attributed to market growth within some of the communities that the bank serves. While the bank uses flexible lending practices to serve the needs of its AAs, none of these practices are particularly innovative. An institution with BOW's capacity and market presence would be expected to also offer innovative lending products not commonly found in the industry. Table 18 lists the number and dollar volume of activity under each flexible lending product or program.

<b>Table 18 – Innovative and/or Flexible Loan Programs</b>		
<b>Program Type</b>	<b># of Loans</b>	<b>\$ of Loans (000)</b>
<b>Small Business Loan Programs</b>		
BusinessLink Loan and Lines of Credit Programs	22,470	3,854,817
Equipment Leases	344	61,814
Ex-Im Bank Guarantee	16	48,025
SBA 7(a) Loans	210	178,194
SBA 504 Loans	316	545,067
<b>Small Farm Loan Program</b>		
AgLink Loan and Line Credit Programs	2,462	458,374
<b>Home Mortgage Programs:</b>		
Hometown Loan Program	12	1,658
Rural Development Program	147	16,539
Patriot Program	22	11,936
FHA	1,793	260,958
FMHA	147	16,539
VA	542	89,453
<b>Consumer Loan Programs</b>		
Military Loan Program	115	337
Equity Choice Line	15,673	1,966,188
Custom Equipped Van Financing	1,307	46,955
<b>Total Innovative and Flexible Loans</b>	<b>45,576</b>	<b>7,556,854</b>
<i>Source: Bank records</i>		

The bank continues to offer an array of loan products and programs aimed toward serving the needs of LMI borrowers, small businesses, and small farms. BOW continues to make use of guaranteed loan programs and partnerships in order to meet the needs of small businesses and LMI borrowers. Refer to Appendix E for descriptions of the specific products or programs.



## INVESTMENT TEST

BOW has demonstrated High Satisfactory performance in the Investment Test. The bank has a significant level of qualified CD investments and contributions. The institution exhibits good responsiveness to credit and economic development needs. The bank makes significant use of innovative and complex investments. BOW is occasionally in a leadership position and has invested in some investment vehicles that are not routinely provided by private investors.

The total amount of CRA-qualified investments (not counting donations) reported by BOW during this evaluation period was \$239.7 million. This represents 2.8 percent of total investments as of December 31, 2013. Additionally, BOW reported \$10.4 million in contributions during this period. Together, BOW's investments and contributions total \$250.1 million, which is an increase of \$61.1 million (32.3 percent) from the \$189.0 million noted at the previous PE. BOW's assets also increased since the previous evaluation, so the percentage of qualified investments to total assets have increased only slightly from 0.3 percent at the previous evaluation to 0.4 percent at the current evaluation. BOW's investments and contributions compare favorably to other California and similarly sized banks.

Prior period investments represent outstanding amounts of investments made during previous CRA PEs, and current period investments represent CRA investments made during this evaluation period. Excluding the donations, Table 19 on the following page lists \$239.7 million in CRA qualified investments, of which \$117.6 million were made during this evaluation period, and \$122.1 million of all prior period investments remain outstanding. Examiners placed most weight on investment activities the bank has made in the current examination period, which is 49.1 percent of the total qualified investments, compared to 16.3 percent at the previous evaluation. Table 19 on the following page summarizes BOW's CRA investments by state and multi-state areas.

Table 19 – CD Investments												
State or Multi-State MSA	Total		Affordable Housing		Community Services		Economic Development		Revitalization or Stabilization		Neighborhood Stabilization	
	#	\$ (000)	#	\$ (000)	#	\$ (000)	#	\$ (000)	#	\$ (000)	#	\$ (000)
<b>Prior Period</b>	<b>189</b>	<b>122,084</b>	<b>162</b>	<b>108,957</b>	<b>2</b>	<b>1,232</b>	<b>17</b>	<b>2,963</b>	<b>8</b>	<b>8,932</b>	<b>0</b>	<b>0</b>
California	10	56,075	10	56,075	0	0	0	0	0	0	0	0
Colorado	2	8,250	2	8,250	0	0	0	0	0	0	0	0
Iowa	1	3,000	1	3,000	0	0	0	0	0	0	0	0
Minnesota	1	1,250	1	1,250	0	0	0	0	0	0	0	0
Oregon	1	7,420	1	7,420	0	0	0	0	0	0	0	0
Omaha Multi-State*	0	0	0	0	0	0	0	0	0	0	0	0
New Mexico	1	1,250	1	1,250	0	0	0	0	0	0	0	0
Nebraska	2	7,000	2	7,000	0	0	0	0	0	0	0	0
Kansas	2	8,000	2	8,000	0	0	0	0	0	0	0	0
Kansas City Multi-State*	0	0	0	0	0	0	0	0	0	0	0	0
Wyoming	1	5,000	1	5,000	0	0	0	0	0	0	0	0
Arizona	3	6,550	3	6,550	0	0	0	0	0	0	0	0
Oklahoma	1	5,000	1	5,000	0	0	0	0	0	0	0	0
Nevada	2	6,200	2	6,200	0	0	0	0	0	0	0	0
South Dakota	0	0	0	0	0	0	0	0	0	0	0	0
Idaho	0	0	0	0	0	0	0	0	0	0	0	0
North Dakota	0	0	0	0	0	0	0	0	0	0	0	0
Washington	0	0	0	0	0	0	0	0	0	0	0	0
Utah	1	2,580	1	2,580	0	0	0	0	0	0	0	0
Wisconsin	0	0	0	0	0	0	0	0	0	0	0	0
<b>Current Period Subtotal</b>	<b>28</b>	<b>117,575</b>	<b>28</b>	<b>117,575</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Total</b>	<b>217</b>	<b>239,659</b>	<b>190</b>	<b>226,532</b>	<b>2</b>	<b>1,232</b>	<b>17</b>	<b>2,963</b>	<b>8</b>	<b>8,932</b>	<b>0</b>	<b>0</b>

Source: Bank records \*No direct investments, however, regional and statewide investments cover the AA.

The following is a sample of the bank's more notable qualified investments:

#### Mortgage-Backed Securities Targeted to LMI Individuals

BOW has invested in 33 targeted mortgage-backed securities totaling \$10.5 million, which provide an ownership interest in a pool of single family mortgages that act as the underlying asset of the security. The pools comprise of loans originated entirely to LMI borrowers who reside in or are adjacent to BOW's AAs.

#### Low-Income Housing Tax Credits

The low-income housing tax credit (LIHTC) program was created as a result of the 1986 Tax Reform Act as an incentive to encourage the construction and rehabilitation of rental housing for lower-income individuals. Although these tax credits are complex in nature, they offer direct federal income tax savings to owners of rental housing units designated for households earning

60 percent or less of gross median family income for the area. Typically, limited partnerships are formed to facilitate the funding for the construction or rehabilitation of these projects.

BOW participated in 28 new LIHTC offerings since the previous evaluation through direct investments and syndications during the review period. These investments total \$117.6 million and were sponsored by federal, state, and local housing for profit and non-profit agencies and groups. Additionally, BOW is still participating in 127 prior period LIHTC offerings totaling \$88.3 million. The tax credits assisted in the construction or rehabilitation of affordable housing units located in many of the states in which the bank conducts business. Several of BOW's new, larger and complex LIHTC investments made during this review period include the following:

- A \$10.6 million in a LIHTC called Alliant Tax Credit Fund 66 that invests in affordable housing throughout the State of California, which includes several of the bank's California AAs.
- A \$10.0 million in a LIHTC called USA Institutional Tax Credit Fund that invests in affordable housing throughout the state of Arizona, which includes several of the bank's Arizona AAs.
- A \$7.4 million in a LIHTC called WNC Fund XXXV that invests in affordable housing throughout the bank's Oregon Non-MSA AA.

#### Equity and Equity Equivalent Investments

BOW participates in 26 equity investments totaling \$9.0 million from prior periods. Several of these investments are innovative and provide for CD in areas where private investor funds are not available. Additionally, BOW funds have facilitated additional CD investments from other parties on several investments. The following are several examples illustrating BOW's varied equity investment activities during this review period:

- A \$1.0 million investment in an Arizona CD financial institution (CDFI) that serves community needs by providing ongoing education, counseling, and financial expertise to Native Americans in the bank's Arizona Non-MSA AAs. BOW invested these funds with a CDFI to benefit housing and small business loans on the economically distressed local reservation. The organization then leverages these funds to obtain another \$400,000 from the U.S. Treasury CDFI fund. These additional funds will be used to hire staff for financial education and for computer technology upgrades.
- A \$1.0 million investment in an equity equivalent fund serving the bank's northern California AAs. Funds will be used to make small affordable housing, community facility, and economic development loans and lines of credit in northern California.
- A \$500,000 investment in a non-profit CDFI that benefits the bank's Colorado AAs and invests in affordable housing and other assets to improve economic opportunities of low-income people and communities.

## Qualified Grants and Donations

BOW made 2,200 contributions totaling \$10.4 million during the current review period. The number and dollar amount of contributions increased, over the previous review period, where contributions were 1,924 totaling \$3.8 million. Table 20 depicts the number and dollar volume of donations by state and CD type.

**Table 20 – CD Donations**

State or Multi-State MSA	Total		Affordable Housing		Community Services		Economic Development		Revitalization or Stabilization		Neighborhood Stabilization	
	#	\$(000)	#	\$(000)	#	\$(000)	#	\$(000)	#	\$(000)	#	\$(000)
California	903	6,560	144	1,071	670	4,991	77	442	12	56	0	0
Colorado	251	903	36	150	183	634	27	111	5	8	0	0
Iowa	95	287	11	51	70	175	12	53	2	8	0	0
Minnesota	94	186	13	25	71	142	8	15	2	4	0	0
Oregon	120	354	24	75	87	243	9	36	0	0	0	0
Omaha Multi-State	109	395	14	67	86	292	8	34	1	2	0	0
New Mexico	117	397	7	17	92	242	18	138	0	0	0	0
Nebraska	50	81	8	12	36	51	5	16	1	2	0	0
Kansas	49	160	8	12	38	145	2	2	1	1	0	0
Kansas City Multi-State	45	135	3	15	40	114	2	6	0	0	0	0
Wyoming	85	205	10	37	56	105	19	63	0	0	0	0
Arizona	64	232	7	73	54	147	2	2	1	10	0	0
Oklahoma	53	145	12	31	31	88	7	15	3	11	0	0
Nevada	18	81	2	10	13	63	3	8	0	0	0	0
South Dakota	26	44	5	6	16	21	3	15	2	2	0	0
Idaho	16	35	1	2	12	29	3	4	0	0	0	0
North Dakota	36	96	3	8	25	63	7	23	1	2	0	0
Washington	20	43	0	0	16	33	4	10	0	0	0	0
Utah	33	66	4	9	25	44	3	11	1	2	0	0
Wisconsin	16	33	6	15	8	13	2	5	0	0	0	0
<b>Grand Total</b>	<b>2,200</b>	<b>10,438</b>	<b>318</b>	<b>1,686</b>	<b>1,629</b>	<b>7,635</b>	<b>221</b>	<b>1,009</b>	<b>32</b>	<b>108</b>	<b>0</b>	<b>0</b>

Source: Bank records

In addition to the CD donations noted above, the bank also originated 1 CD donation totaling \$5,000 during the evaluation period that was located within the bank's state footprints, but outside of the designated AAs.

## **SERVICE TEST**

BOW is rated Low Satisfactory in the Service Test. BOW operates 593 branches and 652 ATMs across 19 states. The range of services and alternative delivery systems offered by the bank do not vary in a way that inconveniences certain portions of the AAs. The bank's delivery systems are accessible to essentially all portions of the bank's AAs. To the extent changes have been made, the bank's overall opening and closing of branches has generally not adversely affected the accessibility of its delivery systems. Finally, the bank provided an adequate level of CD services.

### **Reasonableness of Business Hours and Services**

BOW's services do not vary in a way that inconveniences certain portions of the AAs, particularly LMI geographies or individuals. Variances in service delivery are very limited between branches in virtually all states and multi-state MSAs. For the most part, business hours do not vary in any material way, with the exception of weekend hours. For each state or multi-state MSA, these factors are analyzed to determine if services are more or less convenient for businesses and residents of LMI areas. However, delivery of services varies insignificantly between branches in any given state or multi-state MSA. As such, the full branch structure itself is the primary factor used to determine how convenient services are to LMI geographies. Limited service branches and offsite ATMs were also considered.

BOW offers a wide array of lending and deposit products, as well as other banking services that are consistent with other institutions throughout the various AAs. Commercial loan products include: commercial, industrial, and agricultural loans; equipment leasing; lines of credit; business overdraft lines of credit; international banking; business credit cards; small business and small farm loans; and small business loans guaranteed by the Small Business Administration (SBA). Residential loan products include: fixed- and adjustable-rate first mortgage loans; Federal Housing Authority (FHA) loans; Department of Veterans Affairs (VA) loans; mobile and manufactured home loans; and construction loans for single family residences and multi-family LMI residential projects. BOW also offers rural development loans and the Hometown loan program, which are targeted to small farms and LMI borrowers. Consumer loan products include: vehicle loans and leases; home improvement loans; home equity lines of credit; land loans; aircraft loans; marine loans; recreational vehicle loans; credit cards, savings account secured loans; and secured and unsecured personal loans and lines of credit.

BOW offers a wide variety of personal and business deposit products that include: checking accounts; interest checking; savings accounts; money market accounts; certificates of deposit; traditional and Roth Individual Retirement Accounts; and other types of retirement accounts. There is no material difference in the availability of services offered at BOW's branches.

BOW offers a wide range of alternative delivery systems that are accessible to essentially all portions of its AAs, including LMI geographies and individuals. By utilizing the bank's website, [www.bankofthewest.com](http://www.bankofthewest.com), Internet users can access a variety of information to include: consumer banking products and services; checking and savings accounts; certificates of deposit; business checking; cash management services; and commercial loan products. Customers can also use the

bank's website to apply for a first mortgage loan on-line, open various deposit accounts on-line, find the nearest branch, and access financial calculators. Also, BOW offers access to these products and services in English, Chinese, and Spanish. The bank's e-TimeBanker program enables customers to do the following: check account balances; get detailed information on all transactions; transfer funds between linked accounts; pay bills on-line; access stock information; and send e-mail messages to request additional information. ATMs are offered at most branches and certain offsite locations.

Additional delivery systems include the following:

- Automated Telephone Banking – 24 hours a day, 7 days a week.
- Live Telephone Banking Center – English and Spanish speaking telephone banking. Representatives provide checking, savings, certificate of deposit accounts, and consumer loans 7 days a week from 6 a.m. to 12 a.m., Central Standard Time (CST), Monday through Friday, and 7 a.m. to 12 a.m., CST on weekends and most holidays.
- Live Telesales – Representatives in Omaha, Nebraska, and Monterey Park, California, accept applications for most consumer loan and deposit products over the telephone.
- Direct Servicing Center – English and Spanish speaking customer service representatives are available to provide personal assistance on consumer loans and lines of credit six days a week.

### **Accessibility of Delivery Systems**

Delivery systems are accessible to essentially all portions of the bank's AAs. Accessibility in every state or multi-state MSA was at least reasonable. Individual state and multi-state conclusions are based on a review of branch structure maps in relation to competing institutions, as well as a review of branch share data. Please refer to each respective state analysis for details.

BOW operates 593 branch offices in 19 states. Customers receive 24-hour access to any of the bank's 652 ATMs. All ATMs have been equipped with braille key pads and are capable of conducting transactions in English and Spanish, with Chinese available at select locations. Every checking account provides customers 24-hour debit card access to accounts. Additionally, telephone and Internet banking are offered as discussed above.

To determine how convenient the delivery of services is to businesses and residents of LMI areas, examiners reviewed the distribution of BOW's branches. Banks that penetrate LMI CTs with branches to a greater degree than other institutions or in relation to the household, family, and business demographics of LMI areas, possess delivery systems that are more convenient to those areas than banks that focus on middle-income and upper-income geographies. Institutions that perform well in this Service Test criterion are those that demonstrate a significant branch presence in LMI areas relative to other institutions, businesses, and household demographics.

Table 21 evaluates the branch structure by comparing the number of branches by CT income level in the CAA to the branch distribution of all other FDIC insured institutions, as well as to the percentage of households, families, and businesses.

<b>Table 21 – Branch Structure</b>						
<b>Branch and ATM Distribution</b>	<b>CT Income Level</b>					
	<b>Low</b>	<b>Moderate</b>	<b>Middle</b>	<b>Upper</b>	<b>N/A</b>	<b>Total</b>
Number of Branches as of March 3, 2014	40	124	282	146	1	593
Percentage of Branches	6.8	20.9	47.5	24.6	0.2	100.0
Number of ATMs as of March 3, 2014	44	152	297	158	1	652
Percentage of ATMs	6.8	23.3	45.5	24.2	0.2	100.0
<b>Comparisons</b>						
Percentage of Branches - All Institutions	7.2	21.4	39.5	31.3	0.6	100.0
Percentage of Households	6.5	23.4	38.5	31.6	0.0	100.0
Percentage of Families	11.6	34.6	36.6	17.2	0.0	100.0
Percentage of Businesses	6.2	19.2	35.7	38.5	0.4	100.0
<i>Source: Bank records, 2010 U.S. Census, 2013 D&amp;B</i>						

From a bank wide perspective, detailed in Table 21 above, BOW's branch penetration of LMI geographies overall slightly trails the performance of other FDIC insured banks. BOW operates 6.8 percent of its branches in low-income areas compared to 7.2 percent for all other institutions. BOW operates 20.9 percent of its branches in moderate-income areas compared to 21.4 percent for all other institutions. BOW's 6.8 percent of branches in low-income CTs is comparable to the 6.5 percent of households, 11.6 percent of families, and 6.2 percent of businesses in those same low-income areas. BOW's 20.9 percent of branches in moderate-income CTs is comparable to the 23.4 percent of households, 34.6 percent of families, and 19.2 percent of businesses in those same moderate-income areas. A slight concentration in middle-income areas is evident relative to the comparative data. The middle-income tract concentration is due in part to BOW's significant presence in rural areas throughout the Midwest.

Conclusions and ratings are assigned by state or multi-state MSA. Overall, BOW has either reasonable or more than reasonable branch penetration of LMI areas in most states or multi-state MSAs. Please refer to each respective state analysis for details.

In certain cases, BOW operates branches that are located within middle- or upper-income areas, but are convenient to businesses and residents of LMI areas. Such bordering cases involve a branch that if located on the other side of the street would register as a LMI geography. Another example is a branch in very close proximity to a group of LMI geographies. These situations are reviewed and considered on a case-by-case basis. For the most part, such bordering situations do not have much of an impact on conclusions, except in the state of Colorado where BOW operates several branches in middle-income areas that are convenient for businesses and residents of LMI areas.

### **Changes in Branch Locations**

The extent that changes have been made, BOW's overall opening and closing of branches has generally not adversely affected the accessibility of its delivery systems, particularly in LMI geographies and/or individuals. Various branching changes have been made throughout the CAA, particularly in California. Please refer to each respective state and multi-state analysis for details.

### **CD Services**

BOW provided an adequate level of CD services over the review period. Employees provided a total of 11,190 hours in a financial capacity during the evaluation period. This compares favorably to the level at the previous evaluation, where employees provided a total of 6,219 hours in qualified community organizations. The CD services component is assigned the most weight in arriving at an overall rating under this test. The following discussions detail the bank's CD service activities by financial product or service and employee activity.

Community contacts reveal that there are ample opportunities for banks to provide CD services. In relation to other institutions, BOW's level of CD services is reasonable.

Table 22 on the following page is a summary of all the bank's CD services over the review period. The table shows that BOW's CD service performance differs by state. Therefore, please refer to each respective state analysis for specific CD service details.



**Table 22 – CD Services**

State or Multi-State MSA	Total		Affordable Housing		Community Services		Economic Development		Revitalization or Stabilization		Neighborhood Stabilization	
	#	Hours	#	Hours	#	Hours	#	Hours	#	Hours	#	Hours
California	1,293	4,881	29	70	1,218	4,719	46	92	0	0	0	0
Colorado	244	963	11	69	229	852	4	42	0	0	0	0
Iowa	71	549	10	73	61	476	0	0	0	0	0	0
Minnesota	31	111	2	4	12	63	17	44	0	0	0	0
Oregon	105	333	0	0	105	333	0	0	0	0	0	0
Omaha Multi-State	423	1,182	34	66	389	1,116	0	0	0	0	0	0
New Mexico	121	561	0	0	68	274	53	287	0	0	0	0
Nebraska	66	199	5	39	58	148	3	12	0	0	0	0
Kansas	20	316	0	0	20	316	0	0	0	0	0	0
Kansas City Multi-State	11	63	0	0	11	63	0	0	0	0	0	0
Wyoming	0	0	0	0	0	0	0	0	0	0	0	0
Arizona	146	880	5	10	90	445	44	408	7	17	0	0
Oklahoma	45	472	0	0	37	288	8	184	0	0	0	0
Nevada	21	46	1	1	18	40	2	5	0	0	0	0
South Dakota	0	0	0	0	0	0	0	0	0	0	0	0
Idaho	39	155	1	2	32	131	6	22	0	0	0	0
North Dakota	32	99	15	39	17	60	0	0	0	0	0	0
Washington	37	86	0	0	16	38	21	48	0	0	0	0
Utah	11	111	0	0	11	111	0	0	0	0	0	0
Wisconsin	64	183	43	95	21	88	0	0	0	0	0	0
<b>Grand Total</b>	<b>2,780</b>	<b>11,190</b>	<b>156</b>	<b>468</b>	<b>2,413</b>	<b>9,561</b>	<b>204</b>	<b>1,144</b>	<b>7</b>	<b>17</b>	<b>0</b>	<b>0</b>

Source: Bank records

BOW and its employees work closely with many community-based organizations and have participated in a financial advisory capacity of numerous organizations. Bank employees serve on a variety of boards and finance committees providing technical, managerial and financial expertise to many organizations specializing in small business development; services benefiting low-income and disadvantaged individuals (such as shelter, health, and education); economic development and community revitalization; and affordable housing. Employees participate in various financial education training programs at local schools and community organizations, and are active in career days and job fairs targeted to LMI residents.

The following are examples of CD service initiatives provided throughout BOW's CAA:

- Creating new programs, such as *Fresh Start Checking*, which provides a “second chance” to customers who may have blemished credit but wish to open a bank account and re-establish a banking relationship. This product is offered to applicants who either have a negative account history or are deemed high-risk when screened by QualiFile. The features of this product include unlimited check writing and use of BOW ATMs, free debit card with standard limits, free on-line banking with bill pay, free check safekeeping, free calls to the bank's Telephone Banking Center, no minimum balance requirement, no direct deposit requirement, and no overdraft limit matrix value. As of December 31,

2013, the bank had 13,942 Fresh Start accounts totaling \$10.8 million. The majority of these accounts are established in California and Colorado, but they are proportional to the bank's presence in each state.

- Partnering with the City of San Francisco to help non-customers cash their Working Families Credit checks. The Working Families Credit is a local match by the city to those who qualify for the Federal Earned Income Tax Credit for low-income working parents. As part of the partnership, BOW cashes checks for non-customers free of charge. BOW also waives its standard minimum opening deposit of \$100 for check recipients who want to open a free checking account. This program is aimed at bringing unbanked citizens into the financial mainstream.
- The bank supports a variety of financial education programs that are widely taught by BOW employees throughout the AAs. Covering student population K-12, youth are introduced to the fundamentals of personal finance, promoting entrepreneurial spirit, and encouraging the use of business as the path to success. Courses cover basic economics, budgeting, accounting, community involvement, and business planning.
- Partnering with a non-profit since 2000 to help low-income and at-risk youth. After receiving training in the financial education curriculum, BOW volunteers turn their knowledge of banking into easy to understand terms that youth can apply. A tested standards-based curriculum of financial basics is used including needs vs. wants, earning vs. receiving, banking, checking, savings budgeting, credit, and investments that are presented in four, 1-hour sessions.

# **CALIFORNIA**

<i>The Lending Test is rated:</i>	<i>High Satisfactory</i>
<i>The Investment Test is rated:</i>	<i>High Satisfactory</i>
<i>The Service Test is rated:</i>	<i>Low Satisfactory</i>

BOW's California CRA Rating is **Satisfactory**.

## **SCOPE OF EXAMINATION AND DESCRIPTION OF OPERATIONS**

Examiners conducted a full-scope, on-site evaluation of the bank's performance in the San Jose-San Francisco-Oakland CSA AA and Los Angeles-Long Beach CSA AA. Examiners conducted off-site, limited-scope reviews of the 10 other AAs. A review of FDIC records and the bank's CRA public file revealed that one complaint related to the bank's performance in the Sacramento-Roseville CSA AA that was satisfactorily resolved. No additional complaints regarding BOW's performance in California were noted. BOW operates 246 branches within California. Refer to the Service Test portion of this evaluation for details regarding BOW's delivery systems and any changes that occurred over the review period.

## **DESCRIPTION OF THE CALIFORNIA ASSESSMENT AREAS**

Table CA-1 on the following page lists BOW's delineated AAs within California. The San Jose-San Francisco-Oakland CSA AA excludes San Benito County, which is part of the San Jose-Sunnyvale-Santa Clara MSA. The Los Angeles-Long Beach CSA AA excludes Riverside County, which is part of the Riverside-San Bernardino-Ontario MSA.

Table CA-1 – AA Composition, Branches, and ATMs					
AA	MSA or MD	MSA or MD #	Counties	Branches	ATMs
San Jose-San Francisco-Oakland CSA	Napa, CA MSA; San Francisco-Oakland-Hayward, CA MSA; San Jose-Sunnyvale-Santa Clara, CA MSA; Santa Cruz-Watsonville, CA MSA; Santa Rosa, CA MSA; Stockton-Lodi, CA MSA; Vallejo-Fairfield, CA MSA	34900 41860 41940 42100 42220 44700 46700	Alameda, Contra Costa, Marin, San Francisco, San Mateo, Napa, Marin, Santa Clara, Santa Cruz, Sonoma, San Joaquin, Solano	116	143
Los Angeles-Long Beach CSA	Los Angeles-Long Beach-Anaheim, CA MSA; Oxnard-Thousand Oaks-Ventura, CA MSA; Riverside-San Bernardino-Ontario, CA MSA	31080 37100 40140	Orange, Los Angeles, Ventura, San Bernardino	73	80
Sacramento-Roseville CSA	Sacramento-Roseville-Arden-Arcade, CA MSA	40900 46020 49700	El Dorado, Placer, Sacramento, Yolo	14	17
Modesto MSA	Modesto, CA MSA	33700	Stanislaus County	11	14
Salinas MSA	Salinas, CA MSA	41500	Portion of Monterey	1	1
Chico MSA	Chico, CA MA	17020	Butte	3	3
Fresno MSA	Fresno, CA MSA	23420	Fresno	9	9
Visalia-Porterville-Hanford CSA	Hanford-Corcoran, CA MSA; Visalia-Porterville, CA MSA	47300	Kings, Tulare	6	8
Bakersfield MSA	Bakersfield, CA MSA	12540	Kern	2	2
San Diego MSA	San Diego-Carlsbad, CA MSA	41740	San Diego	5	6
Santa Barbara MSA	Santa Mara-Santa Barbara, MSA	42200	Santa Barbara	2	2
California Non-MSA	NA	NA	Nevada, Lake	4	5
<b>Statewide</b>			<b>Total Branches/ATMs</b>	246	290
Source: Bank records					

Table CA-2 – Demographic Information						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA % of #
CTs	7,118	8.5	25.6	33.0	31.8	1.1
Population by Census Tract Income Level	32,828,064	7.8	26.2	33.7	31.9	0.4
Owner-Occupied Housing Units by Census Tract Income Level	6,175,143	3.0	17.4	36.0	43.6	0.0
Businesses by Census Tract Income Level	3,192,284	6.8	19.7	32.1	40.9	0.6
Families by Income Level	7,475,037	23.0	16.9	18.8	41.3	0.0
Families by Census Tract Income Level	7,475,037	6.6	24.2	34.2	35.0	0.0
Median Family Income		\$78,474	Median Housing Value	\$502,590		
HUD Adjusted Median Family Income for 2013		\$72,321				
Households Below Poverty Level		12.0%				
Source: 2010 U.S. Census Data, 2013 D&B Data						

Table CA-2 details the AA's demographic information. According to Moody's Economy.com, California maintained positive momentum approaching the end of 2013. Construction and business and consumer confidence are the drivers of recent improvements, offsetting diminishing federal government employment and limited budgets for public K-12 and higher education. Improvements are less visible in the household employment survey. The unemployment rate for 2013 for the state is 9.2 percent.

#### Community Contact Observations

Several community contacts were conducted throughout the State of California. These contacts focused on the bank's AA counties. There were some common themes in several of the contacts. The primary credit need identified by community contacts is affordable housing. The contacts also stated that there is a need for investments in small business loan funds. The contacts find that the State of California is considered lucrative for investors interested in the housing market.

## **STATEWIDE PERFORMANCE TEST CONCLUSIONS**

### **LENDING TEST**

BOW is rated High Satisfactory in the Lending Test. The performance in the San Francisco and Los Angeles CSA AAs drove the overall statewide rating, although the performance within each AA was also considered. Small business lending performance was given the most weight, followed by HMDA loans. Small farm lending was not presented due to the bank's minimal lending activity in California for this product.

#### Lending Activity

Overall, BOW's lending levels reflect excellent responsiveness to AA credit needs. Examiners reviewed the number and dollar volume of loans originated over the review period, as well as market share and market ranking figures for the primary loan products to determine the bank's level of lending relative to AA credit needs. Examiners reviewed the number and dollar volume

of loans originated over the review period, as well as market share and market ranking figures for the primary loan categories. In 2012 and 2013, the bank originated 9,678 HMDA loans totaling \$3.8 billion, 10,667 small business loans totaling \$1.5 billion, and no small farm loans. The following sections provide detail regarding BOW's small business loans, HMDA loans, and deposit market share throughout its combined California AA and each individual California AA. The greatest consideration is given to small business loans.

### Small Business Loans

BOW's small business lending levels reflect excellent responsiveness to AA credit needs. Table CA-3 details BOW's small business loan market ranking and market shares during 2012. This information is based on the dollar volume of loans originated within the combined California AA and for each individual AA within the state.

<b>Table CA-3 – Small Business Loan and Deposit Market Shares</b>			
<b>AA</b>	<b>2012</b>		<b>Deposit Market Share %</b>
	<b>Rank (\$)</b>	<b>Market Share %</b>	
All California AAs Combined	15 of 260	3.1	3.1
San Jose-San Francisco-Oakland CSA	12 of 167	3.6	3.9
Los Angeles-Long Beach CSA	16 of 198	2.9	2.6
Sacramento-Roseville CSA	13 of 99	4.4	3.2
Modesto MSA	10 of 62	6.5	13.3
Salinas MSA	24 of 57	0.1	1.5
Chico MSA	20 of 45	1.2	4.5
Fresno MSA	16 of 67	3.0	8.7
Visalia-Porterville-Hanford CSA	12 of 54	4.8	4.2
Bakersfield MSA	21 of 63	2.4	1.9
San Diego MSA	24 of 118	1.3	1.0
Santa Barbara MSA	18 of 61	3.6	1.8
California Non-MSA	11 of 43	7.3	12.5
<i>Source: 2012 CRA Aggregate Data and June 2013 FDIC Summary of Deposits</i>			

Table CA-3 shows that the bank's small business market share in 2012, for all of the California AAs combined, is comparable to its deposit market share level. This trend continues to the San Jose-San Francisco-Oakland CSA and Bakersfield MSA. The bank's performance is particularly notable considering the intense competition for small business loans within each of the California AAs.

## HMDA Loans

BOW's HMDA lending levels reflect good responsiveness to AA credit needs. Table CA-4 details BOW's HMDA market ranking and market shares during 2012. This information is based on the number of loans originated within the combined California AA and for each individual AA within the state.

<b>Table CA-4 – HMDA Loan Market Share</b>		
<b>AA</b>	<b>2012</b>	
	<b>Rank (#)</b>	<b>Market Share %</b>
All California AAs Combined	64 of 436	0.4
San Jose-San Francisco-Oakland CSA	20 of 326	0.6
Los Angeles-Long Beach CSA	59 of 850	0.3
Sacramento-Roseville CSA	65 of 626	0.3
Modesto MSA	14 of 367	1.5
Salinas MSA	16 of 304	2.0
Chico MSA	28 of 323	0.5
Fresno MSA	45 of 432	0.4
Visalia-Porterville-Hanford CSA	23 of 341	0.7
Bakersfield MSA	64 of 436	0.2
San Diego MSA	124 of 728	0.1
Santa Barbara MSA	45 of 430	0.6
California Non-MSA	28 of 375	0.5
<i>Source: 2012 HMDA Aggregate Data</i>		

Table CA-4 indicates that the bank's HMDA loan market share is 64<sup>th</sup> out of 436 lenders. Competition for loans is particularly intense in the San Jose-San Francisco-Oakland CSA, Los Angeles-Long Beach CSA, and the Sacramento-Roseville MSA.

## **Borrower Profile**

The distribution of borrowers in California reflects, given the product lines offered by the institution, good penetration among retail customers of different income levels and business customers of revenue different sizes.

## **Small Business Loans**

The distribution of borrowers in California reflects good penetration among business customers of different revenue sizes throughout the combined California AAs. Table CA-5 shows that BOW originated 57.9 percent of its small business loans to businesses with GARs of \$1 million or less in 2012, which exceeds aggregate performance. In 2013, the bank's performance is below, but comparable to the D&B percentage of businesses in the area with annual revenues of \$1 million or less. BOW's overall performance indicates an increasing trend in its small business lending between 2012 and 2013.

Table CA-5 – Small Business Loan Borrower Profile						
GARs	2013 D&B	2012 Aggregate Data	2012 Bank		2013 Bank	
	%	%	#	%	#	%
≤ \$1 Million	73.0	44.1	2,634	57.9	3,851	63.0
> \$1 Million	4.0		1,745	38.4	1,980	32.3
Not Reported	23.0		170	3.7	287	4.7
<b>Total</b>	<b>100.0</b>		<b>4,549</b>	<b>100.0</b>	<b>6,118</b>	<b>100.0</b>
<i>Source: 2013 D&amp;B Data, 2012 CRA Aggregate Data, 2012 and 2013 CRA LRs</i>						

Table CA-6 shows BOW's lending to small businesses within each AA in California. The bank's lending to small businesses within the two largest individual AAs increased from 2012 to 2013, while lending in the overall AAs generally increased during the same period. In 2012, the bank's performance generally exceeded the aggregate data in all AAs except the San Diego MSA. In 2013, the bank's small business lending rates in the San Jose-San Francisco-Oakland CSA and Los Angeles-Long Beach-Riverside CSA was generally consistent with the statewide performance.

Table CA-6 – Small Business Penetration Rate By AA						
AA	2013 D&B	2012 Aggregate Data	2012 Bank		2013 Bank	
	%	%	#	%	#	%
All California AAs Combined	73.0	44.1	2,634	57.9	3,851	62.9
San Jose-San Francisco-Oakland CSA	72.5	44.0	944	60.9	1,143	60.5
Los Angeles-Long Beach CSA	73.2	45.2	1,197	56.6	1,873	63.9
Sacramento-Roseville CSA	74.5	43.6	166	55.5	274	65.1
Modesto MSA	74.3	38.5	93	62.4	158	76.0
Salinas MSA	75.4	42.4	1	50.0	3	60.0
Chico MSA	76.9	30.9	9	60.0	13	65.0
Fresno MSA	72.7	37.3	52	60.5	99	70.2
Visalia-Porterville-Hanford CSA	73.3	39.6	59	66.3	74	67.9
Bakersfield MSA	73.6	35.8	15	41.7	71	73.2
San Diego MSA	72.7	44.1	45	39.1	65	34.4
Santa Barbara MSA	74.2	33.3	13	41.9	35	64.8
California Non-MSA	78.7	44.3	40	63.5	43	78.2
<i>Source: 2013 D&amp;B, 2012 Aggregate Data, 2012 and 2013 CRA LRs</i>						



## HMDA Loans

The distribution of borrowers reflects, given the product lines offered by the institution, good penetration among retail customers of different income levels. Table CA-7 shows BOW's statewide distribution of HMDA loans by borrower income level. The bank exceeded aggregate data in LMI CTs in 2012. Although lending activity fell below 2012 levels in 2013, the bank's performance continues to be stable in LMI areas.

<b>Table CA-7 – HMDA Loan Borrower Profile</b>						
<b>Borrower Income Level</b>	<b>2010 Census Families</b>	<b>2012 Aggregate Data</b>	<b>2012 Bank</b>		<b>2013 Bank</b>	
	<b>%</b>	<b>%</b>	<b>#</b>	<b>%</b>	<b>#</b>	<b>%</b>
Low	23.0	5.2	334	6.4	213	4.8
Moderate	16.9	12.4	756	14.6	572	12.8
Middle	18.8	20.7	950	18.3	734	16.4
Upper	41.3	54.6	2,785	53.6	2,685	59.8
Not Reported	0.0	7.1	369	7.1	280	6.2
<b>Total</b>	<b>100.0</b>	<b>100.0</b>	<b>5,194</b>	<b>100.0</b>	<b>4,484</b>	<b>100.0</b>
<i>Source: 2010 U.S. Census, 2012 Aggregate Data, and 2012 and 2013 HMDA LARs</i>						

Table CA-8 on the following page shows BOW's penetration to low-income borrowers within each AA in California. BOW's performance was comparable in its two largest AAs in 2012. With the exception of the Salinas and Santa Barbara MSAs, the bank's 2012 HMDA lending was generally comparable or greater than the aggregate performance. Also noteworthy is the bank's performance in the San Jose-San Francisco-Oakland CSA that was above aggregate and is where the majority of the bank's HMDA loans are concentrated. In 2013, the lending activity primarily indicated a declining trend among the various California AAs; however, the performance in the Salinas, Bakersfield, San Diego, and Santa Barbara MSAs were especially weak.

<b>Table CA-8 – Low-Income Borrower Penetration Rate By AA</b>						
<b>AA</b>	<b>2010 Census Families</b>	<b>2012 Aggregate Data</b>	<b>2012 Bank</b>		<b>2013 Bank</b>	
	<b>%</b>	<b>%</b>	<b>#</b>	<b>%</b>	<b>#</b>	<b>%</b>
All California AAs Combined	23.0	5.2	334	6.4	213	4.8
San Jose-San Francisco-Oakland CSA	23.0	5.5	180	7.7	120	5.8
Los Angeles-Long Beach CSA	23.3	4.5	59	3.6	31	2.3
Sacramento-Roseville CSA	22.0	8.2	23	8.4	16	7.2
Modesto MSA	22.6	8.2	26	8.9	23	7.5
Salinas MSA	17.1	3.4	0	0.0	0	0.0
Chico MSA	22.1	6.9	6	12.5	5	13.9
Fresno MSA	24.7	5.8	16	15.1	6	6.3
Visalia-Porterville-Hanford CSA	22.7	5.7	6	5.2	6	6.7
Bakersfield MSA	23.0	6.2	4	8.5	1	2.9
San Diego MSA	22.4	3.7	9	6.5	0	0.0
Santa Barbara MSA	21.7	5.1	1	1.8	0	0.0
California Non-MSA	18.6	3.9	4	7.4	5	6.9
<i>Source: 2010 U.S. Census, 2012 Aggregate Data, 2012 and 2013 HMDA LARs</i>						

Table CA-9 on the following page shows BOW's penetration to moderate-income borrowers within each AA in California. In 2012, the bank demonstrated good performance in the moderate-income tracts for the San Jose-San Francisco-Oakland CSA and adequate performance in the Los Angeles-Long Beach-Riverside CSA. The remaining AAs had varying degrees of performance, with the majority below the 2012 aggregate. In 2013, lending activity indicated a general declining trend among the various California AAs; however, performance in the Chico MSA, Visalia-Porterville-Hanford CSA, San Diego MSA, and Santa Barbara MSA show an increasing trend.

**Table CA-9 – Moderate-Income Borrower Penetration Rate By AA**

AA	2010 Census Families	2012 Aggregate Data	2012 Bank		2013 Bank	
	%	%	#	%	#	%
All California AAs Combined	16.8	12.5	756	14.6	572	12.8
San Jose-San Francisco-Oakland CSA	16.6	13.5	399	17.0	297	14.3
Los Angeles-Long Beach CSA	16.8	11.3	179	10.8	133	9.9
Sacramento-Roseville CSA	17.0	15.4	43	15.7	29	13.0
Modesto MSA	16.7	18.0	50	17.1	40	13.0
Salinas MSA	14.6	8.2	4	6.8	1	2.4
Chico MSA	17.2	14.3	11	22.9	12	33.3
Fresno MSA	16.0	13.6	21	20.2	13	13.7
Visalia-Porterville-Hanford CSA	17.8	12.9	20	17.4	22	24.7
Bakersfield MSA	17.2	12.6	6	12.8	4	11.8
San Diego MSA	17.6	11.1	13	9.4	11	11.7
Santa Barbara MSA	17.8	11.7	1	1.8	2	2.7
California Non-MSA	15.8	10.7	9	16.7	8	11.1

*Source: 2010 U.S. Census, 2012 Aggregate Data, and 2012 and 2013 HMDA LARs*

### **Geographic Distribution**

The geographic distribution of loans reflects good penetration throughout the AAs.

### **Small Business Loans**

The geographic distribution of small business loans reflects excellent penetration throughout the combined California AAs. The bank's statewide small business loan geographic distribution is presented in Table CA-10 on the following page.

**Table CA-10 – Small Business Loan Geographic Distribution**

CT Income Level	2013 D&B	2012 Aggregate Data	2012 Bank		2013 Bank	
	%	%	#	%	#	%
Low	6.9	5.8	340	7.5	440	7.2
Moderate	19.6	17.4	1,109	24.4	1,438	23.5
Middle	32.1	30.6	1,648	36.2	2,191	35.8
Upper	40.9	43.3	1,402	30.8	1,993	32.6
N/A	0.5	2.9	50	1.1	56	0.9
<b>Total</b>	<b>100.0</b>	<b>100.0</b>	<b>4,549</b>	<b>100.0</b>	<b>6,118</b>	<b>100.0</b>

Source: 2013 D&B, 2012 CRA Aggregate Data, 2012 and 2013 CRA LRs

Table CA-11 shows that BOW exceeded aggregate performance in 2012 for low-income CTs for all California AAs combined and its performance in 2013 remained mostly comparable to the 2013 D&B data. Table CA-11 also shows the geographic distribution of small business loans in low-income CTs within each AA. The bank's 2012 performance was mixed, with some AAs lending percentage exceeding aggregate data, such as the San Jose-San Francisco-Oakland CSA, and others below, such as the Santa Barbara MSA. The bank's 2013 performance tended to be similar to 2012 and sometimes exceeded D&B data, such as in the Los Angeles-Long Beach MSA, and sometimes did not, such as the Santa Barbara MSA.

**Table CA-11 – Small Business Low-Income CT Penetration By AA**

AA	2013 D&B	2012 Aggregate Data	2012 Bank		2013 Bank	
	%	%	#	%	#	%
All California AAs Combined	6.9	5.8	340	7.5	440	7.2
San Jose-San Francisco-Oakland CSA	9.7	8.1	142	9.2	162	8.6
Los Angeles-Long Beach CSA	5.8	5.0	164	7.8	229	7.8
Sacramento-Roseville CSA	7.0	6.1	20	6.7	31	7.4
Modesto MSA	2.3	1.9	0	0	1	0.5
Salinas MSA	0.0	0.8	0	0	0	0.0
Chico MSA	0.4	0.3	0	0	0	0.0
Fresno MSA	9.7	7.1	7	8.1	5	3.6
Visalia-Porterville-Hanford CSA	1.0	1.0	1	1.1	1	0.9
Bakersfield MSA	3.7	3.5	1	2.8	2	2.1
San Diego MSA	5.8	4.5	1	0.9	3	1.6
Santa Barbara MSA	13.1	10.9	2	6.5	4	7.4
California Non-MSA	1.6	1.3	2	3.2	2	3.6

Source: 2013 D&B, 2012 CRA Aggregate Data, 2012 and 2013 CRA LRs

Table CA-12 on the following page shows the geographic distribution of small business loans in moderate-income CTs within each AA. In 2012, the bank's performance exceeded the aggregate

in all but 2 of the 12 AAs. In 2013, no general trend in overall performance for a majority of AAs was noted; however, the bank exceeded the D&B data in most of the AAs within California.

<b>Table CA-12 – Small Business Moderate-Income CT Penetration By AA</b>						
AA	2013 D&B	2012 Aggregate Data	2012 Bank		2013 Bank	
	%	%	#	%	#	%
All California AAs Combined	19.6	17.4	1,109	24.4	1,438	23.5
San Jose-San Francisco-Oakland CSA	18.2	17.5	329	21.2	374	19.8
Los Angeles-Long Beach CSA	20.7	17.8	561	26.5	810	27.7
Sacramento-Roseville CSA	20.8	17.5	89	29.8	100	23.8
Modesto MSA	19.4	16.3	28	18.8	23	11.1
Salinas MSA	12.2	15.4	0	0.0	0	0.0
Chico MSA	27.5	19.9	6	40.0	9	45.0
Fresno MSA	24.0	21.1	22	25.6	19	38.5
Visalia-Porterville-Hanford CSA	30.7	24.9	26	29.2	31	28.4
Bakersfield MSA	20.3	16.8	3	8.3	15	15.5
San Diego MSA	15.6	13.7	29	25.2	45	23.8
Santa Barbara MSA	20.8	20.0	10	32.3	7	13.0
California Non-MSA	8.4	7.3	6	9.5	5	9.1
<i>Source: 2013 D&amp;B, 2012 CRA Aggregate Data, 2012 and 2013 CRA LR</i>						

### HMDA Loans

The geographic distribution of HMDA loans reflects adequate penetration throughout the California AAs combined. Table CA-13 shows that BOW's performance is comparable to aggregate in LMI CTs for 2012. In 2013, the LMI CT penetration increased from 2012.

<b>Table CA-13 – HMDA Loan Geographic Distribution</b>						
CT Income Level	Owner-Occupied Housing Units	2012 Aggregate Data	2012 Bank		2013 Bank	
	%	%	#	%	#	%
Low	2.9	2.1	130	2.5	143	3.2
Moderate	17.4	12.5	656	12.6	591	13.2
Middle	36.1	33.0	1,735	33.4	1,622	36.2
Upper	43.6	52.4	2,673	51.5	2,128	47.4
N/A	0	0.0	0	0.0	0	0.0
<b>Total</b>	<b>100.0</b>	<b>100.0</b>	<b>5,194</b>	<b>100.0</b>	<b>4,484</b>	<b>100.0</b>
<i>Source: 2010 U.S. Census, 2012 HMDA Aggregate Data, 2012 and 2013 HMDA LARs</i>						

Table CA-14 on the following page shows the geographic distribution of HMDA loans in low-income CTs within each AA. In 2012, the penetration of HMDA loans in low-income CTs is

comparable to aggregate data. In 2013, performance shows an upward trend in the areas with the largest activity: San Jose-San Francisco-Oakland CSA and Los Angeles-Long Beach CSA.

<b>Table CA-14 – HMDA Low-Income CT Penetration By AA</b>						
AA	Owner-Occupied Housing Units	2012 Aggregate Data	2012 Bank		2013 Bank	
	%	%	#	%	#	%
All California AAs Combined	3.0	2.1	130	2.5	143	3.2
San Jose-San Francisco-Oakland CSA	3.8	2.7	82	3.5	95	4.6
Los Angeles-Long Beach CSA	2.5	1.7	25	1.5	26	1.9
Sacramento-Roseville CSA	3.7	2.3	10	3.7	10	4.5
Modesto MSA	1.2	0.6	0	0.0	1	0.3
Salinas MSA	0	0.0	0	0.0	0	0.0
Chico MSA	0.3	0.9	0	0.0	0	0.0
Fresno MSA	5.0	2.3	5	4.7	2	2.1
Visalia-Porterville-Hanford CSA	0.6	0.2	1	0.9	2	2.3
Bakersfield MSA	2.0	0.4	0	0.0	0	0.0
San Diego MSA	3.3	2.3	4	2.9	3	3.2
Santa Barbara MSA	2.9	2.4	1	1.8	1	1.3
California Non-MSA	1.1	0.6	2	3.7	3	4.2
<i>Source: 2010 U.S. Census, 2012 HMDA Aggregate Data, 2012 and 2013 HMDA LARs</i>						

Table CA-15 on the following page shows the geographic distribution of HMDA loans in moderate-income CTs within each AA. The 2012 penetration of HMDA loans in moderate-income CTs was generally comparable to aggregate in the San Jose-San Francisco-Oakland CSA and Los Angeles-Long Beach CSA. In 2013, the penetration of moderate-income CTs shows a generally declining trend; however, an improving trend was noted in 6 of the 12 AAs.

<b>Table CA-15 – HMDA Moderate-Income CT Penetration By AA</b>						
AA	Owner-Occupied Housing Units	2012 Aggregate Data	2012 Bank		2013 Bank	
	%	%	#	%	#	%
All California AAs Combined	17.4	12.5	656	12.6	591	13.2
San Jose-San Francisco-Oakland CSA	16.8	12.7	321	13.7	285	13.8
Los Angeles-Long Beach CSA	18.0	13.1	201	12.1	172	12.8
Sacramento-Roseville CSA	18.0	12.7	46	16.8	34	15.3
Modesto MSA	14.6	8.6	23	7.9	38	12.4
Salinas MSA	5.9	6.8	0	0.0	0	0.0
Chico MSA	14.5	12.9	9	18.8	5	13.9
Fresno MSA	20.8	12.6	16	15.1	12	12.6
Visalia-Porterville-Hanford CSA	23.8	11.9	15	13.0	17	19.1
Bakersfield MSA	23.2	11.3	3	6.4	2	5.9
San Diego MSA	14.3	10.5	13	9.4	10	10.6
Santa Barbara MSA	15.1	13.4	4	7.3	11	14.7
California Non-MSA	6.6	3.6	5	9.3	5	6.9
<i>Source: Source: 2010 U.S. Census, 2012 HMDA Aggregate Data, 2012 and 2013 HMDA LARs</i>						

### **Record of Serving the Credit Needs of Highly Economically Disadvantaged**

BOW exhibits a good record of serving the credit needs of the most economically disadvantaged areas of its California AAs, low-income individuals, and very small businesses, consistent with safe and sound banking practices.

### **CD Lending**

BOW has made a relatively high level of CD loans in the California AA. BOW is the 6th largest bank in the AA with a market share of 3.2 percent. It is competing with 262 institutions, the top 3 of which have more than half of the combined market share in the AA. The bank originated 326 CD loans totaling \$1.5 billion since the previous evaluation. This represents 31.8 percent of the total dollar volume of the bank's CD lending activity, which is comparable to the percentage of branches the bank operates in California at 41.5 percent. The distribution of CD loans in the AA is diversified, with 60.0 percent of all CD lending dollars responding to revitalization of LMI tracts. The remainder of the bank's CD lending dollars provides support for services to LMI individuals at 10.3 percent, LMI affordable housing needs at 15.7 percent, and economic development of LMI areas at 14.0 percent. Table CA-16 on the following page details BOW's CD lending within the AAs located in California.

**Table CA-16 – CD Lending**

Assessment Area	Total		Affordable Housing		Community Services		Economic Development		Revitalization or Stabilization		Neighborhood Stabilization		
2011													
	#	\$ (000)	#	\$(000)	#	\$(000)	#	\$(000)	#	\$(000)	#	\$(000)	
San Jose-San Francisco-Oakland CSA	23	51,418	3	6,975	4	8,910	10	26,096	6	9,437	0	0	
Los Angeles-Long Beach CSA	38	168,894	0	0	4	14,800	25	54,388	9	99,706	0	0	
Sacramento-Roseville CSA	2	60,213	0	0	0	0	0	0	2	60,213	0	0	
Modesto MSA	0	0	0	0	0	0	0	0	0	0	0	0	
Salinas MSA	0	0	0	0	0	0	0	0	0	0	0	0	
Chico MSA	0	0	0	0	0	0	0	0	0	0	0	0	
Fresno MSA	1	1,500	0	0	0	0	0	0	1	1,500	0	0	
Visalia-Porterville-Hanford CSA	2	2,412	0	0	0	0	2	2,412	0	0	0	0	
Bakersfield MSA	0	0	0	0	0	0	0	0	0	0	0	0	
San Diego MSA	1	9,020	1	9,020	0	0	0	0	0	0	0	0	
Santa Barbara MSA	2	17,778	1	11,088	0	0	0	0	1	6,690	0	0	
California Non-MSA	0	0	0	0	0	0	0	0	0	0	0	0	
Total CA – 2011	69	311,235	5	27,083	8	23,710	37	82,896	19	177,546	0	0	
2012													
San Jose-San Francisco-Oakland CSA	42	183,592	7	35,460	3	2,084	11	22,657	21	123,391	0	0	
Los Angeles-Long Beach CSA	65	282,684	1	17,768	9	32,630	23	55,500	32	176,786	0	0	
Sacramento-Roseville CSA	10	43,486	5	20,471	0	0	0	0	5	23,015	0	0	
Modesto MSA	1	8,687	0	0	0	0	0	0	1	8,687	0	0	
Salinas MSA	0	0	0	0	0	0	0	0	0	0	0	0	
Chico MSA	0	0	0	0	0	0	0	0	0	0	0	0	
Fresno MSA	3	27,050	0	0	0	0	1	3,050	2	24,000	0	0	
Visalia-Porterville-Hanford CSA	4	24,300	0	0	0	0		0	4	24,300	0	0	
Bakersfield MSA	1	1,550	1	1,550	0	0	0	0	0	0	0	0	
San Diego MSA	3	39,500	0	0	3	39,500	0	0	0	0	0	0	
Santa Barbara MSA	1	10,500	1	10,500	0	0	0	0	0	0	0	0	
California Non-MSA	1	1,100	0	0	0	0	0	0	1	1,100	0	0	
Total CA – 2012	131	622,449	15	85,749	15	74,214	35	81,207	66	381,279	0	0	
2013													
San Jose-San Francisco-Oakland CSA	34	117,862	9	54,425	1	2,000	6	15,690	18	45,747	0	0	
Los Angeles-Long Beach CSA	67	341,197	2	18,280	12	41,348	13	30,126	40	251,443	0	0	
Sacramento-Roseville CSA	14	51,964	6	26,461	0	0	0	0	8	25,503	0	0	
Modesto MSA	0	0	0	0	0	0	0	0	0	0	0	0	
Salinas MSA	0	0	0	0	0	0	0	0	0	0	0	0	
Chico MSA	0	0	0	0	0	0	0	0	0	0	0	0	
Fresno MSA	5	27,100	4	12,100	0	0	0	0	1	15,000	0	0	
Visalia-Porterville-Hanford CSA	3	18,316	2	11,656	0	0	0	0	1	6,660	0	0	
Bakersfield MSA	0	0	0	0	0	0	0	0	0	0	0	0	
San Diego MSA	3	13,927	0	0	3	13,927	0	0	0	0	0	0	
Santa Barbara MSA	0	0	0	0	0	0	0	0	0	0	0	0	
California Non-MSA	0	0	0	0	0	0	0	0	0	0	0	0	
Total CA – 2013	126	570,366	23	122,922	16	57,275	19	45,816	68	344,353	0	0	
Grand Total	326	1,504,050	43	235,754	39	155,199	91	209,919	153	903,178	0	0	

Source: Bank records



## **INVESTMENT TEST**

BOW's California Investment Test rating is High Satisfactory. The bank has a significant level of qualified CD investments and grants, occasionally in a leadership position, particularly those not routinely provided by private investors. BOW exhibits good responsiveness to the credit and CD needs of the California AAs. The bank makes significant use of innovative or complex investments to support CD initiatives. In addition, many of the bank's investments result in additional funds from other parties involved in the CD projects. Total qualified investments consist of 10 investments amounting to \$56.1 million, which represents 23.4 percent of the bank's total investments by dollar volume. Please refer to the investment discussion and Table 19 in the CAA analysis for details on investments.

### **Qualified Grants and Donations**

Total qualified donations are \$6.6 million for California, which represents 62.8 percent of the bank's total qualified donations by dollar volume. Table CA-17 on the following page details the donations made within the State of California.

**Table CA-17 – CD Donations**

Assessment Area	Total		Affordable Housing		Community Services		Economic Development		Revitalization or Stabilization		Neighborhood Stabilization		
2011													
	#	\$ (000)	#	\$(000)	#	\$(000)	#	\$(000)	#	\$(000)	#	\$(000)	
San Jose-San Francisco-Oakland CSA	91	1,481	16	381	66	1,036	6	51	3	13	0	0	
Los Angeles-Long Beach CSA	66	234	7	23	52	162	7	49	0	0	0	0	
Sacramento-Roseville CSA	15	57	1	5	12	42	1	5	1	5	0	0	
Modesto MSA	9	20	4	8	5	12	0	0	0	0	0	0	
Salinas MSA	0	0	0	0	0	0	0	0	0	0	0	0	
Chico MSA	0	0	0	0	0	0	0	0	0	0	0	0	
Fresno MSA	15	59	5	17	7	37	2	4	1	1	0	0	
Visalia-Porterville-Hanford CSA	10	58	3	24	7	34	0	0	0	0	0	0	
Bakersfield MSA	1	4	0	0	1	4	0	0	0	0	0	0	
San Diego MSA	19	121	0	0	19	121	0	0	0	0	0	0	
Santa Barbara MSA	4	9	0	0	4	9	0	0	0	0	0	0	
California Non-MSA	2	4	0	0	1	2	1	2	0	0	0	0	
Total CA – 2011	232	2,047	36	458	174	1,459	17	111	5	19	0	0	
2012													
San Jose-San Francisco-Oakland CSA	158	1,225	22	150	121	1,005	13	55	2	15	0	0	
Los Angeles-Long Beach CSA	112	645	22	79	75	511	14	47	1	8	0	0	
Sacramento-Roseville CSA	36	157	9	51	22	83	5	23	0	0	0	0	
Modesto MSA	3	5	1	1	1	1	1	3	0	0	0	0	
Salinas MSA	5	31	0	0	4	29	1	2	0	0	0	0	
Chico MSA	6	15	2	5	4	10	0	0	0	0	0	0	
Fresno MSA	9	59	3	20	6	39	0	0	0	0	0	0	
Visalia-Porterville-Hanford CSA	1	4	0	0	1	4	0	0	0	0	0	0	
Bakersfield MSA	2	9	0	0	2	9	0	0	0	0	0	0	
San Diego MSA	6	38	2	19	2	10	1	5	1	4	0	0	
Santa Barbara MSA	4	13	0	0	4	13	0	0	0	0	0	0	
California Non-MSA	2	3	0	0	2	3	0	0	0	0	0	0	
Total CA – 2012	344	2,204	61	325	244	1,717	35	135	4	27	0	0	
2013													
San Jose-San Francisco-Oakland CSA	168	1,478	23	196	124	1,096	19	178	2	8	0	0	
Los Angeles-Long Beach CSA	139	728	22	84	111	625	5	17	1	2	0	0	
Sacramento-Roseville CSA	3	13	0	0	3	13	0	0	0	0	0	0	
Modesto MSA	0	0	0	0	0	0	0	0	0	0	0	0	
Salinas MSA	0	0	0	0	0	0	0	0	0	0	0	0	
Chico MSA	0	0	0	0	0	0	0	0	0	0	0	0	
Fresno MSA	10	76	1	5	9	71	0	0	0	0	0	0	
Visalia-Porterville-Hanford CSA	0	0	0	0	0	0	0	0	0	0	0	0	
Bakersfield MSA	0	0	0	0	0	0	0	0	0	0	0	0	
San Diego MSA	2	7	0	0	2	7	0	0	0	0	0	0	
Santa Barbara MSA	2	4	1	3	1	1	0	0	0	0	0	0	
California Non-MSA	3	3	0	0	2	2	1	1	0	0	0	0	
Total CA – 2013	327	2,309	47	288	252	1,815	25	196	3	10	0	0	
Grand Total	903	6,560	144	1,071	670	4,991	77	442	12	56	0	0	
Source: Bank records													

## SERVICE TEST

BOW is rated Low Satisfactory in the California Service Test. BOW operates 246 branches in California. Services do not vary in a way that inconveniences certain portions of California's AAs, particularly LMI geographies or individuals. Delivery systems are accessible to essentially all portions of California's AAs. BOW's record of opening and closing of branches has not adversely affected the accessibility of its delivery systems, particularly in LMI geographies. BOW provided an adequate level of CD services over the review period.

### Reasonableness of Business Hours and Services

Services do not vary in a way that inconveniences certain portions of the AAs, particularly LMI geographies or individuals. Branch hours do not significantly vary. Some BOW branches have extended Saturday hours, and this includes a mix of CTs across all income levels. All BOW services are available across all branches.

### Accessibility of Delivery Systems

Delivery systems are accessible to essentially all portions of the California AAs. To determine how convenient service delivery is to businesses and residents of LMI areas, the distribution of branches is reviewed. Table CA-18 evaluates the branch structure by comparing the number of branches by CT income level in all AAs combined to the branch distribution of all other FDIC insured institutions, as well to the percentage of households, families, and businesses.

Table CA-18 – Branch Structure						
Branch and ATM Distribution	CT Income Level					
	Low	Moderate	Middle	Upper	N/A	Total
Number of Branches as of March 3, 2014	24	59	100	62	0	245
Percentage of Branches	9.8	24.1	40.8	25.3	0.0	100.0
Number of ATMs as of March 3, 2014	26	76	116	71	1	290
Percentage of ATMs	9.0	26.2	40.0	24.5	0.3	100.0
Comparisons						
Percentage of Branches - All Institutions	8.8	20.6	34.3	35.5	0.0	100.0
Percentage of Households	7.2	24.0	34.4	34.4	0.0	100.0
Percentage of Families	6.6	24.2	34.2	35.0	0.0	100.0
Percentage of Businesses	6.6	19.7	32.1	40.9	0.0	100.0
Source: Bank records, 2010 U.S. Census, 2013 D&B						

Within California, BOW's branch distribution appears more than reasonable. At 9.8 percent BOW operates branches in low-income tracts at a rate that somewhat exceeds the household, family, and business demographics of the AAs. BOW's moderate-income tract penetration rate 24.1 percent, which is in line with the demographic comparisons. A slight concentration in middle-income areas is noted, which is reasonable. Table CA-19 on the following page details the bank's branch distribution in LMI CTs with California AAs.

<b>Table CA-19 – LMI CT Branch Distribution</b>				
<b>AA</b>	<b>Low-Income CTs</b>		<b>Moderate-Income CTs</b>	
	<b>Bank (%)</b>	<b>Aggregate (%)</b>	<b>Bank (%)</b>	<b>Aggregate (%)</b>
San Jose-San Francisco-Oakland CSA	13.8	14.5	24.1	19.3
Los Angeles-Long Beach CSA	6.9	6.2	19.2	20.9
Sacramento-Roseville CSA	0.0	7.5	35.7	20.8
Modesto MSA	0.0	0.0	9.1	17.5
Salinas MSA	0.0	0.0	0.0	5.4
Chico MSA	0.0	0.0	66.7	35.7
Fresno MSA	11.1	9.5	22.2	24.3
Visalia-Porterville-Hanford CSA	0.0	1.9	83.3	48.1
Bakersfield MSA	0.0	1.4	0.0	14.7
San Diego MSA	20.0	8.6	0.0	18.9
Santa Barbara MSA	50.0	16.1	0.0	20.3
California Non-MSA	0.0	2.2	50.0	22.2
<i>Source: Bank records, 2012 Peer Deposit Data</i>				

As shown in Table CA-19, the bank's branches in LMI CTs were mixed in comparison to the aggregate. The two AAs where the bank has the most banking activity warrant mention:

- In the San Jose-San Francisco-Oakland CSA AA, the bank's branch percentage is not materially different than the aggregate data in low-income CTs, and it exceeds aggregate in moderate-income CTs.
- In the Los Angeles-Long Beach CSA AA, the bank's branch percentage was similar to the aggregate data in the LMI CTs.

### **Changes in Branch Locations**

To the extent changes have been made, BOW's opening and closing of branches has not generally affected the accessibility of its delivery systems, particularly to LMI geographies and individuals.

During 2011, BOW closed two branches: one in San Diego, California, located in a moderate-income CT; and one located in Visalia, California, in an upper-income CT. In this same year, a branch was relocated from one upper-income CT to another upper-income CT within Cupertino, California.

During 2012, BOW closed two branches located in moderate-income CTs: one in Sacramento, California; and one in Santa Clara, California. Also in 2012, one branch was opened in a moderate-income CT (Burbank, CA), three branches were opened in middle-income CTs (Sunnyvale, California; Brea, California; and Mill Valley, California), and two branches were opened in upper-income CTs (Chatsworth, California, and Burbank, California).

During 2013, BOW opened one branch located in a low-income CT (Redwood City, California),

two branches in upper-income CTs (both in San Francisco, California), and one branch located in a middle-income CT (Stockton, California). Also, BOW relocated one branch within a middle-income CT (South San Francisco, California). Three branches were closed in which two were located in middle-income CTs (Stockton, California and Walnut Creek, California) and one in an upper-income CT (El Dorado Hills, California).

During 2014, BOW closed two branches located in middle-income CTs (Antioch, California, and Ventura, California), one branch located in a low-income CT (Vallejo, California), and one branch located in an upper-income CT (Pebble Beach, California).

### **CD Services**

BOW provided an adequate level of CD services in California. During the review period, various BOW employees completed CD services for a total of 4,881 hours. A majority of the hours worked involved providing community services to LMI individuals and groups. Bank employees also volunteered in a financial capacity for services directed toward affordable housing, revitalization, and economic development within LMI communities. Table CA-20 on the following page is a summary of all the bank's CD services in California during the review period.

Table CA-20 – CD Services													
Assessment Area	Total		Affordable Housing		Community Services		Economic Development		Revitalization or Stabilization		Neighborhood Stabilization		
2011													
	#	Hours	#	Hours	#	Hours	#	Hours	#	Hours	#	Hours	
San Jose-San Francisco-Oakland CSA	227	796	0	0	227	796	0	0	0	0	0	0	
Los Angeles-Long Beach CSA	16	39	0	0	16	39	0	0	0	0	0	0	
Sacramento-Roseville CSA	9	52	0	0	9	52	0	0	0	0	0	0	
Modesto MSA	1	1	0	0	1	1	0	0	0	0	0	0	
Salinas MSA	0	0	0	0	0	0	0	0	0	0	0	0	
Chico MSA	0	0	0	0	0	0	0	0	0	0	0	0	
Fresno MSA	6	48			6	48	0	0	0	0	0	0	
Visalia-Porterville-Hanford CSA	0	0	0	0	0	0	0	0	0	0	0	0	
Bakersfield MSA	0	0	0	0	0	0	0	0	0	0	0	0	
San Diego MSA	0	0	0	0	0	0	0	0	0	0	0	0	
Santa Barbara MSA	0	0	0	0	0	0	0	0	0	0	0	0	
California Non-MSA	2	2	0	0	2	2	0	0	0	0	0	0	
Total CA – 2011	261	938	0	0	261	938	0	0	0	0	0	0	
2012													
San Jose-San Francisco-Oakland CSA	420	1382	12	25	404	1347	4	10	0	0	0	0	
Los Angeles-Long Beach CSA	57	477	1	3	52	462	4	12	0	0	0	0	
Sacramento-Roseville CSA	24	111	0	0	24	111	0	0	0	0	0	0	
Modesto MSA	13	31	0	0	13	31	0	0	0	0	0	0	
Salinas MSA	0	0	0	0	0	0	0	0	0	0	0	0	
Chico MSA	0	0	0	0	0	0	0	0	0	0	0	0	
Fresno MSA	11	133	0	0	6	125	5	8	0	0	0	0	
Visalia-Porterville-Hanford CSA	4	4	0	0	4	4	0	0	0	0	0	0	
Bakersfield MSA	0	0	0	0	0	0	0	0	0	0	0	0	
San Diego MSA	0	0	0	0	0	0	0	0	0	0	0	0	
Santa Barbara MSA	4	4	0	0	4	4	0	0	0	0	0	0	
California Non-MSA	0	0	0	0	0	0	0	0	0	0	0	0	
Total CA – 2012	533	2,142	13	28	507	2,084	13	30	0	0	0	0	
2013													
San Jose-San Francisco-Oakland CSA	228	701	5	9	197	642	26	50	0	0	0	0	
Los Angeles-Long Beach CSA	198	859	11	33	187	826	0	0	0	0	0	0	
Sacramento-Roseville CSA	24	78	0	0	24	78	0	0	0	0	0	0	
Modesto MSA	4	14	0	0	4	14	0	0	0	0	0	0	
Salinas MSA	2	8	0	0	2	8	0	0	0	0	0	0	
Chico MSA	0	0	0	0	0	0	0	0	0	0	0	0	
Fresno MSA	30	82	0	0	25	74	5	8	0	0	0	0	
Visalia-Porterville-Hanford CSA	2	3	0	0	2	3	0	0	0	0	0	0	
Bakersfield MSA	0	0	0	0	0	0	0	0	0	0	0	0	
San Diego MSA	2	14	0	0	2	14	0	0	0	0	0	0	
Santa Barbara MSA	9	42	0	0	7	38	2	4	0	0	0	0	
California Non-MSA	0	0	0	0	0	0	0	0	0	0	0	0	
Total CA – 2013	499	1,801	16	42	450	1,697	33	62	0	0	0	0	
Grand Total	1,293	4,881	29	70	1,218	4,719	46	92	0	0	0	0	
Source: Bank records													

# SAN JOSE-SAN FRANCISCO-OAKLAND CSA FULL-SCOPE EVALUATION

## SCOPE OF EXAMINATION

Examiners conducted a full-scope, on-site evaluation of BOW's performance in the San Jose-San Francisco-Oakland CSA AA. This section of the evaluation represents a more in-depth borrower profile and geographic distribution review of loans originated than illustrated in the statewide AA analysis.

## DESCRIPTION OF THE SAN JOSE-SAN FRANCISCO-OAKLAND CSA ASSESSMENT AREA

The San Jose-San Francisco-Oakland CSA AA is composed of the San Francisco-Oakland-Fremont MSA #41860, Napa MSA #34900, Santa Cruz-Watsonville MSA #42100, Santa Rosa-Petaluma MSA #42220, Vallejo-Fairfield MSA #46700, and part of the San Jose-Sunnyvale-Santa Clara MSA #41940 (San Benito County excluded). The counties that comprise this AA are detailed in the statewide description. Table CA-21 reflects the demographics of this AA.

**Table CA-21 – Demographic Information for the San Jose-San Francisco-Oakland CSA**

Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA % of #
CTs	1,778	10.0	22.0	36.9	30.4	0.7
Population by Census Tract Income Level	8,098,427	9.1	22.6	37.6	30.6	0.1
Owner-Occupied Housing Units by Census Tract Income Level	1,675,845	3.8	16.8	40.0	39.4	0.0
Businesses by Census Tract Income Level	744,557	9.7	18.2	34.6	37.5	0.0
Families by Income Level	1,873,599	23.0	16.6	19.4	41.0	NA
Families by Census Tract Income Level	1,873,599	7.4	20.6	38.4	33.6	0.0
Median Family Income		\$94,873				
HUD Adjusted Median Family Income for 2013		\$89,039		Median Housing Value	\$607,760	
Households Below Poverty Level		9.0%				

Source: 2010 U.S. Census Data, 2013 D&B Data

## Economic Information

According to Moody's Economy.com, San Francisco is approaching expansion on the strength of business services and visitor-dependent industries. Previously surging technology hiring has cooled, but leisure/hospitality payroll gains have more than picked up the slack. The unemployment rate has edged upward after falling to 5 percent in June but is still the lowest among major California regional economies. Real estate is showing signs of cooling. House price appreciation is slowing, and sales are down from a year earlier, according to the California Association of Realtors. New multifamily and office buildings, as well as public infrastructure, are lifting construction.

Moody's Economy.com says that San Jose's expansion deepened approaching the end of 2013, lifted by high-value-added technology services, reviving tech exports, and strong consumer confidence. Payrolls continue to grow, led by computer equipment makers and retail. Computer systems design payrolls are higher than a year earlier, but the pace of growth has slowed after two years of breakneck hiring. Some signs of cooling are visible in housing. Rising interest rates are slowing price increases, and home sales have fallen by more than 10 percent from a year earlier.

Also, Moody's Economy.com states that Oakland's recovery was supported in the second half of 2013 by the strength of transportation and both consumer and business spending. Port-related and retail jobs have led gains in recent months. Cutbacks by mortgage lenders and federal and local governments are a lingering source of weakness. The unemployment rate edged up again to more than 7 percent, and the labor force continues to contract. Real estate is showing few signs of slowing. Inventories remain low, resulting in still-appreciating house prices, according to the California Association of Realtors. Year-over-year, declines in sales were smaller than in other major California metro areas, but residential permit issuance in Oakland slowed in 2013.

## **PERFORMANCE TEST CONCLUSIONS**

### **LENDING TEST**

A more in-depth borrower profile and geographic distribution review of loans originated in the San Jose-San Francisco-Oakland CSA AA is presented below. Other Lending Test criteria are fully described in the Lending Test section of the statewide performance test conclusions. The greatest weight was given to the bank's small business lending performance, followed by HMDA lending. The small farm lending performance was considered, but is not presented due to the bank's limited lending activity. Data supporting the Lending Test ratings are also presented in the statewide performance test conclusions section.

#### **Borrower Profile**

BOW's overall distribution of borrowers reflects, given the product lines offered by the institution, good penetration among retail customers of different income levels and business customers of different revenue sizes. This conclusion is consistent with the overall statewide conclusions.

#### **Small Business Loans**

BOW's distribution of borrowers reflects excellent penetration among business customers of different revenue sizes in the San Jose-San Francisco-Oakland CSA AA. BOW's 2012 penetration of lending to businesses with GARs of \$1 million or less of 60.9 percent is above aggregate of 44.0 percent. In 2013, the bank's performance of 60.5 percent remained constant and is consistent with the statewide performance.



### HMDA Loans

BOW's distribution of borrowers reflects good penetration among retail customers of different income levels in the San Jose-San Francisco-Oakland CSA AA. BOW's low-income borrower penetration of 7.7 percent is higher than aggregate of 5.5 percent, and its moderate-income borrower penetration of 17.0 percent was also above aggregate of 13.5 percent. In 2013, the bank's low-income borrower penetration of 5.8 percent, and its moderate-income borrower penetration of 14.3 percent, both showed a slightly declining trend, which is consistent with the statewide performance.

### **Geographic Distribution**

The geographic distribution of loans reflects good penetration throughout the San Jose-San Francisco-Oakland CSA AA.

### Small Business Loans

The geographic distribution of small business loans reflects good penetration throughout the San Jose-San Francisco-Oakland CSA AA. BOW's 2012 penetration in low-income CTs of 9.2 percent slightly exceeds the aggregate data of 8.1 percent. The bank's 2012 performance in moderate-income CTs of 21.2 percent also exceeds aggregate data of 17.5 percent. In 2013, both the LMI CT penetration rates were comparable to the D&B data and remained relatively stable, which is consistent with the statewide performance.

### HMDA Loans

The geographic distribution of residential loans reflects adequate penetration throughout the San Jose-San Francisco-Oakland CSA AA. BOW's 2012 penetration in low-income CTs of 3.5 percent is comparable to aggregate of 2.7 percent, while the penetration in moderate-income CTs of 13.7 percent was similar to aggregate of 12.7 percent. In 2013, the low-income CT penetration trended upward slightly to 4.6 percent, while the moderate-income CT penetration remained relatively unchanged at 13.8 percent.

### **INVESTMENT TEST**

BOW's Investment Test performance in this AA is consistent with the institution's Investment Test performance in the State of California.

### **SERVICE TEST**

BOW's Service Test performance in this AA is consistent with the institution's Service Test performance in the State of California.

# LOS ANGELES-LONG BEACH CSA

## FULL-SCOPE EVALUATION

### SCOPE OF EXAMINATION

Examiners conducted a full-scope, on-site review of the Los Angeles-Long Beach CSA AA. This section of the evaluation represents a more in-depth borrower profile and geographic distribution review of loans originated than illustrated in the statewide AA analysis.

### DESCRIPTION OF THE LOS ANGELES-LONG BEACH CSA ASSESSMENT AREA

The Los Angeles-Long Beach CSA AA includes the Los Angeles-Long Beach-Santa Ana MSA #31100, Oxnard-Thousand Oaks-Ventura MSA #37100, a part of the Riverside-San Bernardino-Ontario MSA #40140 (San Bernardino County only, Riverside County is excluded). The counties that comprise this AA are detailed in the statewide description. Table CA-22 reflects the demographics of this AA.

Table CA-22 – Demographic Information for the Los Angeles-Long Beach CSA						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA % of #
CTs	3,472	8.1	28.3	29.5	32.8	1.3
Population by Census Tract Income Level	15,687,365	7.4	29.1	30.8	32.5	0.2
Owner-Occupied Housing Units by Census Tract Income Level	2,714,742	2.5	18.0	32.1	47.4	0.0
Businesses by Census Tract Income Level	1,398,795	5.8	20.7	28.8	43.7	1.0
Families by Income Level	3,521,566	23.3	16.8	18.5	41.4	NA
Families by Census Tract Income Level	3,521,566	6.5	27.0	30.8	35.7	0.0
Median Family Income		\$74,642	Median Housing Value		\$514,043	
HUD Adjusted Median Family Income for 2013		\$66,640				
Households Below Poverty Level		13.0%				
Source: 2010 U.S. Census Data, 2013 D&B Data						

### Economic Information

According to Moody's Economy.com, the pace of Los Angeles' recovery accelerated toward the end of the year, as strengthening consumer confidence and reviving construction and entertainment more than offset lingering local government weakness. Total payrolls advanced, thanks to increased restaurant visitation, construction, and film and television production, but local government job cuts tempered the gains. The unemployment rate has fallen to 9.5 percent for the first time since the 4<sup>th</sup> quarter of 2008, even as the labor force has risen. The housing market is cooling as interest rates march higher. Prices have stopped increasing amid a jump in inventory of homes for sale and a 15 percent decrease in sales from a year earlier.

Moody's Economy.com states that Oxnard has withstood a substantial drag from federal spending cuts and is also subject to lingering weakness in key industries. Payrolls are slightly

outpacing the California and U.S. averages, though job growth is mostly in lower-paying industries. Consumer services are flourishing, as the state and global recoveries boost tourism, while business services are hiring at a more modest pace. Manufacturing and financial services have yet to show growth, as they have been hurt by federal spending cuts. The housing market continues to heal, as steady demand absorbs the remaining distressed inventory, which is allowing house prices to appreciate.

## **PERFORMANCE TEST CONCLUSIONS**

### **LENDING TEST**

A more in-depth borrower profile and geographic distribution review of loans originated in the Los Angeles-Long Beach CSA AA is presented below. Other Lending Test criteria are fully described in the Lending Test section of the statewide performance test conclusions. The greatest weight was given to the bank's small business lending performance, followed by HMDA lending. Small farm lending performance was considered, but not presented due to the bank's limited lending activity. Data supporting the Lending Test ratings are also presented in the statewide performance test conclusions section.

#### **Borrower Profile**

BOW's overall distribution of borrowers reflects, given the product lines offered by the institution, good penetration among retail customers of different income levels and business customers of different revenue sizes.

#### **Small Business Loans**

BOW's distribution of borrowers reflects good penetration among business customers of different revenue sizes in the Los Angeles-Long Beach CSA AA. BOW's 2012 penetration of lending to businesses with GARs of \$1.0 million or less of 56.6 percent exceeds the 2012 aggregate data of 45.2 percent. The bank's 2013 penetration of 63.9 percent showed a slight upward trend and is consistent with the statewide performance.

#### **HMDA Loans**

BOW's distribution of borrowers reflects adequate penetration among retail customers of different income levels in the Los Angeles-Long Beach CSA AA. The bank's 2012 penetration to low-income borrowers of 3.6 percent is fairly comparable to aggregate of 4.5 percent. The bank's 2012 penetration to moderate-income borrowers of 10.8 percent is also fairly comparable to aggregate of 11.3 percent. In 2013, the bank's performance shows a declining trend of 2.3 percent to low-income borrowers and 9.9 percent to moderate-income borrowers.

## **Geographic Distribution**

The geographic distribution of loans reflects good penetration throughout the Los Angeles-Long Beach CSA AA.

### **Small Business Loans**

The geographic distribution of small business loans reflects good penetration throughout the Los Angeles-Long Beach CSA AA. BOW's 2012 penetration in low-income CTs of 7.8 percent is greater than aggregate of 5.0 percent, and the bank's penetration in moderate-income CTs of 26.5 percent is also higher than aggregate of 17.8 percent. In 2013, the bank's low-income CT penetration remained unchanged at 7.8 percent, while the moderate-income CT penetration trended upward to 27.7 percent.

### **HMDA Loans**

The geographic distribution of residential loans reflects adequate penetration throughout the Los Angeles-Long Beach CSA AA. BOW's 2012 penetration within its low-income CTs of 1.5 percent is comparable to aggregate of 1.7 percent, and the bank's penetration within its moderate-income CTs of 12.1 is also comparable to aggregate of 13.1 percent. The bank's 2013 data is consistent with 2012, in which the bank's LMI CT penetration rates of 1.9 percent and 12.8 percent, respectively, were relatively unchanged.

## **INVESTMENT TEST**

BOW's Investment Test performance in this AA is consistent with the institution's Investment Test performance in the State of California.

## **SERVICE TEST**

BOW's Service Test performance in this AA is consistent with the institution's Service Test performance in the State of California.

## **Limited-Scope AA Evaluations**

Data applicable to the limited-scope AAs indicates that performance is consistent with the institution's performance in the State of California. Demographic data regarding limited-scope AAs is located in Appendix F.

# COLORADO

*The Lending Test is rated:*                      *High Satisfactory*  
*The Investment Test is rated:*                *Low Satisfactory*  
*The Service Test is rated:*                      *Low Satisfactory*

BOW's Colorado CRA Rating is **Satisfactory**.

## SCOPE OF EXAMINATION AND DESCRIPTION OF OPERATIONS

Examiners conducted a full-scope, off-site evaluation of the bank's performance in the Denver-Boulder-Greeley CSA. Examiners conducted off-site, limited-scope reviews of the Fort Collins MSA, the Grand Junction MSA, and the Colorado Non-MSA AAs.

A review of FDIC records and the bank's CRA public file revealed no CRA complaints since the previous evaluation. Refer to the Service Test portion of this evaluation for details regarding BOW's delivery systems and any changes that occurred over the review period.

## DESCRIPTION OF THE COLORADO ASSESSMENT AREA

The Colorado AAs include 4 individual AAs, 3 of which are in MSAs, and a 4<sup>th</sup> in a Non-MSA area made up of 13 rural counties. All AAs summarized below comprise entire geographies and entire counties. Table CO-1 provides the counties, branches, and ATMs that comprise each Colorado AA.

Table CO-1 – AA Composition, Branches, and ATMs					
AA	MSA or MD	MSA or MD #	Counties	Branches	ATMs
Denver-Aurora-Boulder CSA	Denver-Aurora, CO CSA	216	Adams, Arapahoe, Boulder, Broomfield, Denver, Douglas, Elbert, Jefferson, Weld	54	55
Fort Collins MSA	Fort Collins, CO MSA	22660	Larimer	3	3
Grand Junction MSA	Grand Junction, CO MSA	24300	Mesa	4	4
Colorado Non-MSA	NA	99999	Chaffee, Delta, Grand, Gunnison, Kit Carson, Las Animas, Logan, Moffat, Montrose, Morgan, Phillips, Routt, Summit	20	20
<b>Statewide</b>			<b>Total Branches/ATMs</b>	81	82
<i>Source: Bank records</i>					

Table CO-2 details the demographics of the statewide Colorado AAs.

Table CO-2 – Demographic Information						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA % of #
CTs	930	8.9	21.1	38.6	30.4	1.0
Population by Census Tract Income Level	3,771,081	8.9	21.8	38.8	30.4	0.1
Owner-Occupied Housing Units by Census Tract Income Level	971,497	4.9	18.0	41.1	36.0	0.0
Businesses by Census Tract Income Level	487,120	6.3	19.4	36.6	37.5	0.2
Families by Income Level	922,399	21.4	17.3	20.8	40.5	0.0
Families by Census Tract Income Level	922,399	7.4	20.3	39.0	33.3	0.0
Median Family Income		\$73,398	Median Housing Value	\$271,579		
HUD Adjusted Median Family Income for 2013		\$75,796				
Households Below Poverty Level		11.5%				
Source: 2010 U.S. Census Data, 2013 D&B Data						

According to Moody's Analytics, last September's floods slowed Colorado's expansion, but its fundamentals remain solid. Despite a pause in job growth, employment is above its prerecession peak, and average weekly private earnings are higher and climbing faster than the U.S. average. The inventory of foreclosed homes is only about half the national average and is shrinking quickly. Because of the fewer distress sales, housing prices are rising faster than the nation's average. Unemployment has declined from 8.6 percent in 2011 to 7.0 percent in 2013.

#### Community Contact Observations

A number of recently conducted community contacts within the Denver-Aurora-Boulder CSA were reviewed. One contact stated the economy is doing well; however, economic conditions vary by industry. Another contact stated the economy has been very good in 2012, and the area experienced increases in housing, new businesses, and population. In regards to housing, one contact stated that the number of new single family residences has increased since 2011. This same contact stated that the housing needs are being met; however, there is a need for additional affordable housing for younger adults building their careers. Additionally, the contact stated there is a need for public transportation throughout the area. Another contact stated that small businesses in the area are doing well, and many are expanding and hiring. The contact stated that a large number of residents living in smaller communities commute to the Denver and Colorado Springs metropolitan areas for employment. All contacts stated that local financial institutions are meeting the overall credit needs of the area and had positive comments regarding these institutions. Overall, examiners determined that primary credit needs are home mortgage loans and small business loans.

## **STATEWIDE PERFORMANCE TEST CONCLUSIONS**

### **LENDING TEST**

BOW's Lending Test performance is rated High Satisfactory. The bank's lending performance is strengthened by the borrower profile performance and its small business lending, as the bank has an excellent distribution of small business loans across business of different revenue sizes. The bank has also increased its CD loans since the previous evaluation and now has a relatively high level of CD loans. The borrower profile for HMDA loans is good, but the geographic distribution of loans performance is adequate. Lending activity reflects good responsiveness to AA credit needs. The bank has an adequate record of among retail customers of difference income levels and business customers of different sizes.

BOW has a higher market share of small business loans, but also a higher volume by number and dollar amount of HMDA loans. Therefore, each loan type receives equal weighting in assessing lending performance. Farm lending represents only 1.8 percent of reportable loans by number and 0.8 percent by dollar amount in 2012 and 2013. BOW has a market rank of 5 of 42 lenders for small farm loans in Colorado. However, in 2012 BOW's market penetration for small farm loans is only 2.9 percent for the Colorado statewide AA (latest information available for market shares). For the 2012 individual markets, BOW has small farm lending market shares of 2.1 percent in the Denver-Aurora-Boulder CSA, 0.0 percent in the Fort Collins MSA, 3.9 percent in the Grand Junction MSA, and 3.6 percent in the Colorado Non-MSA markets. Since small farm lending is a relatively small percentage of BOW lending in Colorado, and not a high share of any individual or statewide small farm markets, small farm lending tables were not included in this evaluation.

#### **Lending Activity**

Overall, BOW's lending levels reflect good responsiveness to AA credit needs. Examiners reviewed the number and dollar volume of loans originated over the review period, as well as market share and market ranking figures for primary loan products to determine the bank's level of lending relative to AA credit needs.

In 2012 and 2013, BOW originated 1,762 small business loans totaling \$201.1 million, 2,457 HMDA loans totaling \$642.0 million, and 76 small farm loans totaling \$6.5 million in Colorado.

#### **Small Business Loans**

Table CO-3 on the following page details BOW's 2012 small business loan market ranking and market shares for the state and individual AAs.

<b>Table CO-3 – Small Business Loan and Deposit Market Shares</b>			
AA	2012		Deposit Market Share %
	Rank (\$)	Market Share %	
All Colorado AAs Combined	9 of 165	3.3	4.2
Denver-Aurora-Boulder CSA	12 of 150	3.3	3.7
Fort Collins MSA	10 of 54	2.6	1.9
Grand Junction MSA	10 of 45	1.5	5.6
Colorado Non-MSA	3 of 70	5.8	12.4
<i>Source: 2012 CRA Aggregate Data and June 2013 FDIC Summary of Deposits</i>			

Examiners reviewed small business loan market share and market ranking data based on dollar volume rather than number of loans originated. Dollar volumes represent a more relevant comparison, because market share data includes national credit card lenders. The credit card lenders report numerous small dollar loans that skew the market share ranking based on number of loans originated. Credit card lenders do not provide traditional small business loans in the same manner as BOW and its local competitors. BOW's small business lending levels reflect good responsiveness to AA credit needs. BOW ranked a favorable 9<sup>th</sup> out of 165 reporting small business lenders in 2012.

#### HMDA Loans

Table CO-4 details BOW's 2012 HMDA loan market ranking and market shares based on the number of loans originated for the state and for each individual AA.

<b>Table CO-4 – HMDA Loan Market Share</b>		
AA	2012	
	Rank (#)	Market Share %
All Colorado AAs Combined	43 of 853	0.5
Denver-Aurora-Boulder CSA	49 of 745	0.4
Fort Collins MSA	64 of 432	0.2
Grand Junction MSA	43 of 244	0.3
Colorado Non-MSA	9 of 480	1.8
<i>Source: 2012 HMDA Aggregate Data</i>		

BOW's HMDA lending levels reflect adequate responsiveness to AA credit needs. In 2012, BOW ranked a reasonable 43<sup>rd</sup> out of 853 reporting lenders. The table also shows that BOW has the strongest market presence in the Colorado Non-MSA AA, where BOW operates 20 branches in 13 rural counties. However, lending volume is much higher in the Denver-Aurora-Boulder CSA, where BOW operates 54 branches in 9 counties.



## **Borrower Profile**

The distribution of borrowers in Colorado reflects, given the product lines offered by the institution, good penetration among retail customers of different income levels and business customers of different revenue sizes.

### **Small Business Loans**

The distribution of borrowers reflects excellent penetration among businesses of different sizes. Table CO-5 provides information on the number of small business loans originated by BOW in Colorado in 2012 and 2013 by borrower revenue level, which is then compared to the applicable 2012 aggregate lending and 2013 D&B data. Table CO-6 provides a further delineation of lending to businesses with GAR of \$1 million or less in each AA, which is then compared to the applicable 2012 aggregate lending and 2013 D&B data.

<b>Table CO-5 – Small Business Loan Borrower Profile</b>						
<b>GARs</b>	<b>2013 D&amp;B</b>	<b>2012 Aggregate Data</b>	<b>2012 Bank</b>		<b>2013 Bank</b>	
	<i>%</i>	<i>%</i>	<i>#</i>	<i>%</i>	<i>#</i>	<i>%</i>
≤ \$1 Million	72.5	43.4	588	67.4	602	67.6
> \$1 Million	3.2		245	28.1	245	27.5
Not Reported	24.3		39	4.5	43	4.9
<b>Total</b>	<b>100.0</b>		<b>872</b>	<b>100.0</b>	<b>890</b>	<b>100.0</b>
<i>Source: 2013 D&amp;B Data, 2012 CRA Aggregate Data, 2012 and 2013 CRA LRs</i>						

<b>Table CO-6 – Small Business Penetration Rate By AA</b>						
<b>AA</b>	<b>2013 D&amp;B</b>	<b>2012 Aggregate Data</b>	<b>2012 Bank</b>		<b>2013 Bank</b>	
	<i>%</i>	<i>%</i>	<i>#</i>	<i>%</i>	<i>#</i>	<i>%</i>
Denver-Aurora-Boulder CSA	71.9	43.7	420	64.9	417	64.3
Fort Collins MSA	75.2	40.6	48	81.4	24	64.9
Grand Junction MSA	76.4	43.4	19	76.0	29	74.4
Colorado Non-MSA	74.1	42.9	101	71.6	132	80.0
<i>Source: 2013 D&amp;B, 2012 Aggregate Data, 2012 and 2013 CRA LRs</i>						

Table CO-5 shows that BOW's 2012 performance to businesses with GAR of \$1 million or less substantially exceeds aggregate lending data. BOW's 2013 performance of 67.6 percent remained relatively unchanged and is slightly below the D&B data of 72.5 percent. Table CO-6 shows that BOW's 2012 performance in each AA was significantly higher than the aggregate data. The bank's 2013 performance is fairly comparable to the D&B data. The bank's performance is noteworthy since D&B data reflects only the size of businesses in the AA and not the intent or ability of these businesses to borrow.

## HMDA Loans

The distribution of borrowers reflects good penetration among retail customers of different income levels. Table CO-7 shows BOW's distribution of HMDA loans by borrower income in Colorado's CAAs. Tables CO-8 and CO-9 further delineate lending to LMI borrowers for each AA.

<b>Table CO-7 – HMDA Loan Borrower Profile</b>						
<b>Borrower Income Level</b>	<b>2010 Census Families</b>	<b>2012 Aggregate Data</b>	<b>2012 Bank</b>		<b>2013 Bank</b>	
	<b>%</b>	<b>%</b>	<b>#</b>	<b>%</b>	<b>#</b>	<b>%</b>
Low	21.4	7.5	150	11.9	88	7.3
Moderate	17.3	17.0	247	19.7	247	20.6
Middle	20.8	21.4	270	21.5	270	22.5
Upper	40.5	39.1	509	40.6	551	45.8
Not Reported	0.0	15.0	79	6.3	46	3.8
<b>Total</b>	<b>100.0</b>	<b>100.0</b>	<b>1,255</b>	<b>100.0</b>	<b>1,202</b>	<b>100.0</b>
<i>Source: 2010 U.S. Census, 2012 HMDA Aggregate Data, 2012 and 2013 HMDA LARs</i>						

<b>Table CO-8 – Low-Income Borrower Penetration Rate By AA</b>						
<b>AA</b>	<b>2010 Census Families</b>	<b>2012 Aggregate Data</b>	<b>2012 Bank</b>		<b>2013 Bank</b>	
	<b>%</b>	<b>%</b>	<b>#</b>	<b>%</b>	<b>#</b>	<b>%</b>
Denver-Aurora-Boulder CSA	21.9	7.5	115	12.5	69	7.5
Fort Collins MSA	20.2	7.9	4	7.1	2	4.3
Grand Junction MSA	19.3	9.9	2	7.4	3	11.1
Colorado Non-MSA	18.5	4.8	29	11.4	14	6.6
<i>Source: 2010 U.S. Census, 2012 HMDA Aggregate Data, 2012 and 2013 HMDA LARs</i>						

<b>Table CO-9 – Moderate-Income Borrower Penetration Rate By AA</b>						
<b>AA</b>	<b>2010 Census Families</b>	<b>2012 Aggregate Data</b>	<b>2012 Bank</b>		<b>2013 Bank</b>	
	<b>%</b>	<b>%</b>	<b>#</b>	<b>%</b>	<b>#</b>	<b>%</b>
Denver-Aurora-Boulder CSA	17.1	17.0	193	21.1	201	21.9
Fort Collins MSA	17.6	19.2	14	25.0	9	19.2
Grand Junction MSA	17.8	20.1	2	7.4	3	11.1
Colorado Non-MSA	19.2	10.9	38	14.9	34	16.0
<i>Source: 2010 U.S. Census, 2012 Aggregate Data, 2012 and 2013 HMDA LARs</i>						

Table CO-7 shows that BOW achieved good penetration of its 2012 lending to low-income borrowers, as the bank provided 11.9 percent of its Colorado mortgages to low-income borrowers compared to 7.5 percent for aggregate lenders. However, the bank's 2013 performance shows a declining trend of 7.3 percent. In 2012, the bank's penetration of lending to moderate-income borrowers was higher than the aggregate lenders. In 2013, the bank's performance was fairly comparable to the bank's 2012 performance. In Tables CO-8 and CO-9, the bank's 2012 lending exceeded the aggregate data in the Denver and the Colorado Non-MSA, as this is where the bank has the strongest market penetrations and branch presence. Lending to LMI borrowers in the Grand Junction MSA was a drag on the bank's overall 2012 AA performance, as the bank lagged aggregate data, but showed an improving trend in 2013.

### **Geographic Distribution**

BOW's geographic distribution of loans reflects good penetration throughout the state.

### **Small Business Loans**

The geographic distribution of small business loans reflects good penetration throughout the Colorado AAs. Table CO-10 shows the distribution of small business loans by CT income category, compared to applicable 2013 D&B data and 2012 aggregate lender performance. Tables CO-11 and CO-12 (on the following page) further delineate lending in LMI tracts by AA.

<b>Table CO-10 – Small Business Loan Geographic Distribution</b>						
<b>CT Income Level</b>	<b>2013 D&amp;B</b>	<b>2012 Aggregate Data</b>	<b>2012 Bank</b>		<b>2013 Bank</b>	
	<b>%</b>	<b>%</b>	<b>#</b>	<b>%</b>	<b>#</b>	<b>%</b>
Low	6.2	6.5	58	6.7	66	7.4
Moderate	19.6	19.2	214	24.5	168	18.9
Middle	37.1	33.2	315	36.1	351	39.4
Upper	36.9	37.3	284	32.6	305	34.3
N/A	0.2	3.8	1	0.1	0	0.0
<b>Total</b>	<b>100.0</b>	<b>100.0</b>	<b>872</b>	<b>100.0</b>	<b>890</b>	<b>100.0</b>
<i>Source: 2013 D&amp;B, 2012 Aggregate Data, 2012 and 2013 CRA LRs</i>						

<b>Table CO-11 – Small Business Low-Income CT Penetration By AA</b>						
<b>AA</b>	<b>2013 D&amp;B</b>	<b>2012 Aggregate Data</b>	<b>2012 Bank</b>		<b>2013 Bank</b>	
	<b>%</b>	<b>%</b>	<b>#</b>	<b>%</b>	<b>#</b>	<b>%</b>
Denver-Aurora-Boulder CSA	7.6	7.9	58	9.0	65	10.0
Fort Collins MSA	0.9	1.1	0	0.0	1	2.7
Grand Junction MSA	0.0	0.0	0	0.0	0	0.0
Colorado Non-MSA	0.0	0.0	0	0.0	0	0.0
<i>Source: 2013 D&amp;B, 2012 Aggregate Data, 2012 and 2013 CRA LRs</i>						

<b>Table CO-12 – Small Business Moderate-Income CT Penetration By AA</b>						
<b>AA</b>	<b>2013 D&amp;B</b>	<b>2012 Aggregate Data</b>	<b>2012 Bank</b>		<b>2013 Bank</b>	
	<b>%</b>	<b>%</b>	<b>#</b>	<b>%</b>	<b>#</b>	<b>%</b>
Denver-Aurora-Boulder CSA	20.3	19.9	173	26.7	129	19.9
Fort Collins MSA	20.3	21.6	12	20.3	9	24.3
Grand Junction MSA	12.2	10.1	5	20.0	3	7.7
Colorado Non-MSA	15.5	12.7	24	17.0	27	16.4
<i>Source: 2013 D&amp;B, 2012 Aggregate Data, 2012 and 2013 CRA LRs</i>						

Table CO-10 shows that BOW's 2012 lending to small businesses located in low-income CTs of 6.7 percent is comparable to the aggregate lenders performance of 6.5 percent. However, in 2013 the bank's performance shows an increasing trend of 7.4 percent. In 2012, the bank's lending to small businesses located in moderate-income CTs was higher than the aggregate lenders. In 2013, the bank's performance declined, but was still comparable to the 2013 D&B data. Table CO-11 shows strong low-income CT performance in the Denver-Aurora-Boulder CSA for 2012 and 2013. However, only 2 of 73 CTs in Fort Collins MSA, or 2.7 percent, are low-income CTs, and the bank's performance in this area for 2012 and 2013 was mixed. The Grand Junction and Colorado Non-MSA have no low-income CTs. Table CO-12 shows that BOW's 2012 small business lending in moderate-income areas generally exceeded the aggregate lenders performance. In 2013, BOW's lending in moderate-income areas reflects a general downward trend and was mixed when compared to the D&B data. However, the D&B data reflects the percentage of businesses in LMI CTs, regardless of a business' borrowing ability or intent. Some businesses may not choose or be able to borrow from reporting lenders.

#### HMDA Loans

The geographic distribution of HMDA loans reflects adequate penetration throughout the Colorado AA. Table CO-13 on the following page provides BOW lending in CTs by income level for 2012 and 2013, along with the percentage of owner-occupied housing units identified at the 2010 U.S. Census and 2012 aggregate lending data. Tables CO-14 and CO-15 on the following page further delineate BOW's 2012 and 2013 performance, owner-occupied housing units, and aggregate lending data for the individual AAs.

**Table CO-13 – HMDA Loan Geographic Distribution**

CT Income Level	Owner-Occupied Housing Units	2012 Aggregate Data	2012 Bank		2013 Bank	
	%	%	#	%	#	%
Low	4.9	3.2	50	4.0	37	3.1
Moderate	18.0	13.6	204	16.3	184	15.3
Middle	41.1	37.5	461	36.7	463	38.5
Upper	36.0	45.7	540	43.0	518	43.1
N/A	0.0	0.0	0	0.0	0	0.0
<b>Total</b>	<b>100.0</b>	<b>100.0</b>	<b>1,255</b>	<b>100.0</b>	<b>1,202</b>	<b>100.0</b>

Source: 2010 U.S. Census, 2012 HMDA Aggregate Data, 2012 and 2013 HMDA LARs

**Table CO-14 – HMDA Low-Income CT Penetration By AA**

AA	Owner-Occupied Housing Units	2012 Aggregate Data	2012 Bank		2013 Bank	
	%	%	#	%	#	%
Denver-Aurora-Boulder CSA	6.0	3.8	50	5.5	37	4.0
Fort Collins MSA	1.0	0.6	0	0.0	0	0.0
Grand Junction MSA	0.0	0.0	0	0.0	0	0.0
Colorado Non-MSA	0.0	0.0	0	0.0	0	0.0

Source: 2010 U.S. Census, 2012 HMDA Aggregate Data, 2012 and 2013 HMDA LARs

**Table CO-15 – HMDA Moderate-Income CT Penetration By AA**

AA	Owner-Occupied Housing Units	2012 Aggregate Data	2012 Bank		2013 Bank	
	%	%	#	%	#	%
Denver-Aurora-Boulder CSA	18.5	13.7	148	16.1	136	14.9
Fort Collins MSA	18.2	16.2	12	21.4	9	19.2
Grand Junction MSA	12.7	10.6	2	7.4	1	3.7
Colorado Non-MSA	16.0	9.3	42	16.5	38	17.9

Source: 2010 U.S. Census, 2012 HMDA Aggregate Data, 2012 and 2013 HMDA LARs

Table CO-13 shows that BOW's 2012 lending in low-income CTs is slightly higher than the aggregate lending. In 2013, the bank's performance showed a slight downward trend and is below the percentage of owner-occupied housing units. BOW's 2012 lending in moderate-income CTs is higher than aggregate lending performance. In 2013, the bank's performance declined slightly and is below the percentage of owner-occupied housing units. BOW's LMI CT performance in 2012 and 2013 was helped by a larger volume of multi-family lending in these areas. Table CO-14 shows that all of the bank's low-income CT lending was in the Denver-Aurora-Boulder CSA. Table CO-15 shows that the bank's 2012 lending in its moderate-income CTs was generally greater than aggregate data. However, in 2013 most of the bank's lending in

the moderate-income CTs showed a declining trend.

### **Record of Serving the Credit Needs of Highly Economically Disadvantaged**

BOW exhibits a good record of serving the credit needs of the most economically disadvantaged areas of its Colorado AAs, low-income individuals, and very small businesses, consistent with safe and sound banking practices.

### **CD Loans**

BOW made a relatively high level of CD loans in the Colorado AAs relative to its market position in the state. As the 5<sup>th</sup> largest bank in the state by deposits (of 110) with a market share of 4.2 percent and \$3.6 billion in deposits from 81 offices, BOW would be expected to make a significant number of CD loans. It was difficult to find similarly situated banks in Colorado with current data to compare BOW. However, a review of available data, past performance, and an assessment of the bank's size and resources indicate the bank's performance is relatively high. This observation was specifically noted in the Denver and the Colorado Non-MSA. At the previous evaluation, BOW made 21 CD loans for a total of \$68.2 million. At the current evaluation, BOW made 48 CD loans for a total of \$153.9 million, which represents a significant increase from the previous evaluation figures. Table CO-16 on the following page provides further detail on the year, number, dollar amount, and type of CD loans made by BOW in Colorado AAs.

Table CO-16 – CD Lending												
Assessment Area	Total		Affordable Housing		Community Services		Economic Development		Revitalization or Stabilization		Neighborhood Stabilization	
	#	\$ (000)	#	\$ (000)	#	\$ (000)	#	\$ (000)	#	\$ (000)	#	\$ (000)
<b>2011</b>												
Denver-Aurora-Boulder CSA	9	33,642	3	12,330	0	0	1	1,712	5	19,600	0	0
Fort Collins MSA	0	0	0	0	0	0	0	0	0	0	0	0
Grand Junction MSA	0	0	0	0	0	0	0	0	0	0	0	0
Colorado Non-MSA	1	3,500	0	0	0	0	0	0	1	3,500	0	0
<b>Total CO – 2011</b>	<b>10</b>	<b>37,142</b>	<b>3</b>	<b>12,330</b>	<b>0</b>	<b>0</b>	<b>1</b>	<b>1,712</b>	<b>6</b>	<b>23,100</b>	<b>0</b>	<b>0</b>
<b>2012</b>												
Denver-Aurora-Boulder CSA	13	45,295	0	0	0	0	2	9,297	11	35,998	0	0
Fort Collins MSA	1	1,150	0	0	0	0	0	0	1	1,150	0	0
Grand Junction MSA	1	4,557	0	0	0	0	0	0	1	4,557	0	0
Colorado Non-MSA	3	9,674	0	0	0	0	1	1,874	2	7,800	0	0
<b>Total CO – 2012</b>	<b>18</b>	<b>60,676</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>3</b>	<b>11,171</b>	<b>15</b>	<b>49,505</b>	<b>0</b>	<b>0</b>
<b>2013</b>												
Denver-Aurora-Boulder CSA	19	49,789	7	20,534	0	0	5	7,315	7	21,940	0	0
Fort Collins MSA	0	0	0	0	0	0	0	0	0	0	0	0
Grand Junction MSA	0	0	0	0	0	0	0	0	0	0	0	0
Colorado Non-MSA	1	6,300	0	0	0	0	0	0	1	6,300	0	0
<b>Total CO – 2013</b>	<b>20</b>	<b>56,089</b>	<b>7</b>	<b>20,534</b>	<b>0</b>	<b>0</b>	<b>5</b>	<b>7,315</b>	<b>8</b>	<b>28,240</b>	<b>0</b>	<b>0</b>
<b>Grand Total</b>	<b>48</b>	<b>153,907</b>	<b>10</b>	<b>32,864</b>	<b>0</b>	<b>0</b>	<b>9</b>	<b>20,198</b>	<b>29</b>	<b>100,845</b>	<b>0</b>	<b>0</b>
Source: Bank records												

Representative examples of BOW's CD lending include:

- BOW originated a \$6.2 million loan for new construction and mini-perm financing of a 55-unit affordable housing project in the Denver-Aurora-Boulder CSA. The project is limited to tenants considered low income and is a LIHTC eligible property.

- BOW originated a \$1.5 million loan to a company in the energy field operating in the Colorado Non-MSA AA. The credit allows the company to make new capital purchases and provides job creation and retention in the State of Colorado Montrose County Enterprise Zone.

## **INVESTMENT TEST**

BOW's Investment Test rating is Low Satisfactory. Since the previous evaluation, the bank purchased 2 investments for \$8.3 million. The bank also has 9 prior period investments with a book value of \$6.6 million. In addition, the bank made 251 donations totaling \$903,000. BOW's prior period investments consist of an investment totaling \$1.8 million that is related to economic revitalization or stabilization. The remaining investments are affordable-housing related. The new investments are LIHTC, consisting of an investment for \$7.0 million that benefits all of Colorado, while the other investment for \$1.3 million benefits the Denver-Aurora-Boulder CSA.

Investments and donations total \$15.8 million, representing an adequate level of qualified CD investments and grants, although rarely in a leadership position, particularly those not provided by private investors. BOW received an Outstanding Investment Test rating in Colorado at the previous evaluation, where total investments were \$25.7 million and donations were \$356,000. During this evaluation period, the bank significantly increased its donations in Colorado; however, the level of new investments and prior investment pay downs reflect a net decrease in investments in the state. The current volume and type of investments reflect adequate responsiveness to credit and CD needs in Colorado. However, the LIHTC investments reflect an occasional use of innovative and/or complex investments to support CD initiatives.

Table CO-17 on the following page provides further detail on the number, amount, location, and type of CRA-qualified donations made by BOW since the previous evaluation.



<b>Table CO-17 – CD Donations</b>												
<b>Assessment Area</b>	<b>Total</b>		<b>Affordable Housing</b>		<b>Community Services</b>		<b>Economic Development</b>		<b>Revitalization or Stabilization</b>		<b>Neighborhood Stabilization</b>	
	<b>#</b>	<b>\$ (000)</b>	<b>#</b>	<b>\$ (000)</b>	<b>#</b>	<b>\$ (000)</b>	<b>#</b>	<b>\$ (000)</b>	<b>#</b>	<b>\$ (000)</b>	<b>#</b>	<b>\$ (000)</b>
<b>2011</b>												
Denver-Aurora-Boulder CSA	45	223	10	57	31	143	4	23	0	0	0	0
Fort Collins MSA	0	0	0	0	0	0	0	0	0	0	0	0
Grand Junction MSA	5	12	0	0	2	5	3	7	0	0	0	0
Colorado Non-MSA	15	21	4	4	8	12	3	5	0	0	0	0
<b>Total CO - 2011</b>	<b>65</b>	<b>256</b>	<b>14</b>	<b>61</b>	<b>41</b>	<b>160</b>	<b>10</b>	<b>35</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>2012</b>												
Denver-Aurora-Boulder CSA	79	331	10	55	61	233	8	43	0	0	0	0
Fort Collins MSA	5	6	1	1	3	4	0	0	1	1	0	0
Grand Junction MSA	4	20	0	0	3	15	1	5	0	0	0	0
Colorado Non-MSA	17	23	3	7	11	13	1	1	2	2	0	0
<b>Total CO - 2012</b>	<b>105</b>	<b>380</b>	<b>14</b>	<b>63</b>	<b>78</b>	<b>265</b>	<b>10</b>	<b>49</b>	<b>3</b>	<b>3</b>	<b>0</b>	<b>0</b>
<b>2013</b>												
Denver-Aurora-Boulder CSA	63	231	6	24	51	184	5	21	1	2	0	0
Fort Collins MSA	4	7	1	1	2	3	0	0	1	3	0	0
Grand Junction MSA	2	10	0	0	1	5	1	5	0	0	0	0
Colorado Non-MSA	12	19	1	1	10	17	1	1	0	0	0	0
<b>Total CO – 2013</b>	<b>81</b>	<b>267</b>	<b>8</b>	<b>26</b>	<b>64</b>	<b>209</b>	<b>7</b>	<b>27</b>	<b>2</b>	<b>5</b>	<b>0</b>	<b>0</b>
<b>Grand Total</b>	<b>251</b>	<b>903</b>	<b>36</b>	<b>150</b>	<b>183</b>	<b>634</b>	<b>27</b>	<b>111</b>	<b>5</b>	<b>8</b>	<b>0</b>	<b>0</b>

Representative examples of donations made by BOW in Colorado include:

- BOW donated \$10,000 to a non-profit business counseling and incubator that provides services for micro- and start-up businesses in the Grand Junction MSA.
- BOW donated \$25,000 to a non-profit that provides job skills and support for low-income women in the Denver-Aurora-Boulder CSA.

## SERVICE TEST

BOW is rated Low Satisfactory in the Colorado Service Test. Delivery systems are reasonably accessible to essentially all portions of BOW's AAs. Services and business hours are relatively consistent between offices and CT income levels, and thus, do not vary in a way that inconveniences certain portions of the AA, particularly LMI geographies and individuals. BOW's record of opening and closing branches has adversely affected the accessibility of its delivery systems, particularly in LMI geographies. BOW provided an adequate level of CD services in Colorado during the evaluation period.

## **Reasonableness of Business Hours and Services**

Services do not vary in a way that inconveniences certain portions of the AAs, particularly LMI geographies or individuals. Branch hours do not significantly vary. Some BOW branches have extended Saturday hours, and this includes a mix of CTs across all income levels. All BOW services are available across all branches. In addition to web banking, ATM access or other standard services, BOW also operates a consumer loan center with full operator access, and English and Spanish-speaking live telephone representatives with extended hours.

## **Accessibility of Delivery Systems**

Delivery systems are reasonably accessible to essentially all portions of the institution's AA. Table CO-18 provides information on the number and percentage of BOW branches compared to aggregate branches and demographic information by CT income levels in Colorado. Table CO-19 provides further delineation of BOW and aggregate bank branches in LMI areas for each AA.

<b>Table CO-18 – Branch Structure</b>					
<b>Branch and ATM Distribution</b>	<b>CT Income Level</b>				
	<b>Low</b>	<b>Moderate</b>	<b>Middle</b>	<b>Upper</b>	<b>Total</b>
Number of Branches as of March 3, 2014	3	13	39	26	81
Percentage of Branches	3.7	16.1	48.1	32.1	100.0
Number of ATMs as of March 3, 2014	3	13	38	28	82
Percentage of ATMs	3.7	15.9	46.3	34.1	100.0
<b>Comparisons</b>					
Percentage of Branches - All Institutions	6.1	22.6	41.4	29.9	100.0
Percentage of Households	8.5	22.6	39.8	29.1	100.0
Percentage of Families	7.4	20.3	39.0	33.3	100.0
Percentage of Businesses*	6.3	19.5	36.7	37.5	100.0
<i>Source: Bank records, 2010 U.S. Census, 2013 D&amp;B *Does not include 1 NA CT</i>					

<b>Table CO-19 – LMI CT Branch Distribution</b>				
<b>AA</b>	<b>Low-Income CTs</b>		<b>Moderate-Income CTs</b>	
	<b>Bank (%)</b>	<b>Aggregate (%)</b>	<b>Bank (%)</b>	<b>Aggregate (%)</b>
Denver-Aurora-Boulder CSA	5.6	7.9	18.9	23.3
Fort Collins MSA	0.0	0.0	33.3	27.8
Grand Junction MSA	0.0	0.0	0.0	17.3
Colorado Non-MSA	0.0	0.0	10.0	15.0
<i>Source: Bank records, 2012 Peer Deposit Data</i>				

BOW has a lower percentage of branches than aggregate banks in its LMI areas across Colorado. However, in the Fort Collins MSA (one branch), the bank has a higher percentage of branches in inside its moderate-income area than the aggregate banks. A review of BOW's branches in each AA reveals that several branches reside next to LMI areas that allow the bank to adequately serve these areas. In the Denver-Aurora-Boulder CSA, BOW's branches provide adequate penetration in LMI areas except for portions of central Denver. In the Fort Collins MSA, BOW

branches are located in or next to all LMI areas, except for two sparsely populated moderate-income CTs at the edge of the county. There are no low-income CTs in the Grand Junction MSA. BOW has two branches in middle-income CTs that reside just next to and provide adequate access to moderate-income CTs in the Grand Junction MSA. There are no low-income CTs in the Colorado Non-MSA AA. BOW branches serve the moderate-income areas through two branches located in moderate-income CTs and five additional branches next to moderate-income areas in several rural Colorado counties.

### **Changes in Branch Locations**

BOW's record of opening and closing branches has adversely affected the accessibility of its delivery systems, particularly in LMI geographies and/or service to LMI individuals. During the evaluation period, BOW closed nine branches, opened one branch, and relocated two branches. The two relocated branches are not analyzed since the branches moved just blocks within the same CT. The new branch focuses on wealth management in an upper-income CT in the Denver-Aurora-Boulder CSA. BOW closed seven branches in the Denver-Aurora-Boulder CSA (two in moderate-income CTs, two in middle-income CTs, and three in upper-income CTs), and closed two branches in the Fort Collins MSA (one in a moderate-income CT and one in a middle-income CT). The closure of three branches in moderate-income areas has affected the accessibility of delivery systems in the Denver-Aurora-Boulder CSA and Fort Collins MSA.

### **CD Services**

BOW has provided an adequate level of CD services. Table CO-20 on the following page provides information on the number, hours, and type of CD services provided by BOW by year and AA.

Table CO-20 – CD Services												
Assessment Area	Total		Affordable Housing		Community Services		Economic Development		Revitalization or Stabilization		Neighborhood Stabilization	
	#	Hours	#	Hours	#	Hours	#	Hours	#	Hours	#	Hours
<b>2011</b>												
Denver-Aurora-Boulder CSA	26	160	0	0	26	160	0	0	0	0	0	0
Fort Collins MSA	0	0	0	0	0	0	0	0	0	0	0	0
Grand Junction MSA	0	0	0	0	0	0	0	0	0	0	0	0
Colorado Non-MSA	1	6	0	0	1	6	0	0	0	0	0	0
<b>Total CO - 2011</b>	<b>27</b>	<b>166</b>	<b>0</b>	<b>0</b>	<b>27</b>	<b>166</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>2012</b>												
Denver-Aurora-Boulder CSA	104	453	8	55	95	397	1	1	0	0	0	0
Fort Collins MSA	0	0	0	0	0	0	0	0	0	0	0	0
Grand Junction MSA	0	0	0	0	0	0	0	0	0	0	0	0
Colorado Non-MSA	0	0	0	0	0	0	0	0	0	0	0	0
<b>Total CO - 2012</b>	<b>104</b>	<b>453</b>	<b>8</b>	<b>55</b>	<b>95</b>	<b>397</b>	<b>1</b>	<b>1</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>2013</b>												
Denver-Aurora-Boulder CSA	110	335	3	14	105	283	2	38	0	0	0	0
Fort Collins MSA	0	0	0	0	0	0	0	0	0	0	0	0
Grand Junction MSA	0	0	0	0	0	0	0	0	0	0	0	0
Colorado Non-MSA	3	9	0	0	2	6	1	3	0	0	0	0
<b>Total CO - 2013</b>	<b>113</b>	<b>344</b>	<b>3</b>	<b>14</b>	<b>107</b>	<b>289</b>	<b>3</b>	<b>41</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Grand Total</b>	<b>244</b>	<b>963</b>	<b>11</b>	<b>69</b>	<b>229</b>	<b>852</b>	<b>4</b>	<b>42</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
Source: Bank records												

The bank has substantially increased services in Colorado despite a net decrease in branches since the previous evaluation. At the previous evaluation the bank provided 747 services hours.

According to Table CO-20, BOW's CD service hours included a mix of affordable housing, community services, and economic development-related services. However, no service hours were reported in the Fort Collins or Grand Junction MSAs despite the fact that the bank has seven branches in these two AAs. Also, the 15 hours reported during the evaluation period for the Colorado Non-MSA represents a limited level of services for an AA that contains 20 branches. The Denver-Aurora-Boulder CSA hours are much higher and in line with other similarly situated banks.

## DENVER CSA FULL-SCOPE EVALUATION

### SCOPE OF EXAMINATION

Examiners conducted a full-scope, off-site review of the Denver-Aurora-Boulder CSA AA. Since the Denver-Aurora-Boulder CSA includes the Denver-Aurora-Lakewood MSA, the Boulder MSA, and the Greeley MSA, examiners reviewed demographic information, bank loan data, and aggregate loan data for each MSA, as well as on a combined CSA basis. Examiners confirmed that data and performance for each MSA were consistent based on the 2012 and 2013 HMDA LARs, 2012 and 2013 CRA LR, and 2010 demographic information, before presenting information for only the combined Denver-Aurora-Boulder CSA.

### DESCRIPTION OF THE DENVER CSA ASSESSMENT AREA

BOW operates 54 branches in the Denver-Aurora-Boulder CSA as of March 3, 2014, serving an area with over 3 million people, residing in 757 CTs and 9 counties in and around Denver, Colorado. Table CO-21 provides further detail on the demographics of the AA.

Table CO-21 – Demographic Information for Denver-Aurora-Boulder CSA AA						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA % of #
CTs	757	10.7	21.3	34.9	32.1	1.0
Population by CT Income Level	3,060,139	10.7	22.4	35.1	31.7	0.1
Owner-Occupied Housing Units by CT Income Level	776,419	6.0	18.5	37.6	38.0	0.0
Businesses by CT Income Level	396,193	7.6	20.0	33.0	39.1	0.3
Families by Income Level	742,691	21.9	17.1	20.3	40.7	0.0
Families by CT Income Level	742,691	9.1	20.9	35.1	34.9	0.0
Median Family Income		\$75,219	Median Housing Value		\$272,271	
HUD Adjusted Median Family Income for 2013		\$77,870				
Households Below Poverty Level		11.4%				
Source: 2010 U.S. Census Data, 2013 D&B Data						

Since Moody's Analytics only provides data on the Denver MSA, the following data is based solely on Denver MSA. According to Moody's Analytics, Denver's expansion continues to look

good despite last fall's floods. Denver's unemployment rate stands at a 5-year low of 6.5 percent, and is lower than state and national averages. Weekly earnings have also increased, with wages 18.0 percent higher than national averages, and increasing at nearly double the national averages. Home sales have also been strong. Denver's 7,230 single-family housing permits for 2012 are nearly double the 3,630 permits from 2011. Denver has a strong employment base. Healthcare is a primary component of the local employment base, and Denver serves as a regional healthcare hub where 5 of the 10 largest employers are healthcare industries. Other large employers include defense, technology, and air-travel-related companies.

## **PERFORMANCE TEST CONCLUSIONS**

### **LENDING TEST**

A more in-depth borrower profile and geographic distribution review of loans originated in the Denver-Aurora-Boulder CSA is presented below. Other Lending Test criteria are fully described in the Lending Test section of the statewide performance test conclusions. The greatest weight was given to the bank's small business lending performance and then HMDA lending. Small farm lending was not evaluated due to the small number of loans originated within this AA. Data supporting the ratings is presented in the statewide performance test conclusions section.

#### **Borrower Profile**

BOW's distribution of borrowers in the Denver-Aurora-Boulder CSA, given the product lines offered by the institution, provides excellent penetration among retail customers of different income levels and business customers of different revenue sizes.

#### **Small Business Loans**

The bank has an excellent penetration rate for lending to small businesses in the Denver-Aurora-Boulder CSA. BOW's record of lending to business with GAR of \$1 million or less of 64.9 percent in 2012, which is significantly greater than aggregate lenders data of 43.7 percent. In 2013, the bank's performance remained fairly constant at 63.3 percent, but was below the D&B data of 71.9 percent. It is important to note that the D&B data only reflects the percentage of businesses with GAR under \$1 million in the AA, and not the businesses' willingness or ability to borrow.

#### **HMDA Loans**

The bank has good penetration to HMDA borrowers in the Denver-Aurora-Boulder CSA. In 2012, BOW provided 12.5 percent of its HMDA loans to low-income borrowers, which is greater than the aggregate data of 7.5 percent. In 2013, the bank's performance declined to 7.5 percent. In 2012, BOW provided 21.1 percent of its loans to moderate-income borrowers, which is greater than the aggregate data of 17.0 percent. In 2013, the bank's performance remained fairly constant at 21.9 percent, but also compares favorably to the 17.1 percent of families in the AA.

## **Geographic Distribution**

BOW's overall distribution of loans reflects good penetration throughout the Denver-Aurora-Boulder CSA.

### **Small Business Loans**

The geographic distribution of small business loans reflects good penetration throughout the Denver-Aurora-Boulder CSA. BOW's geographic lending performance has been relatively consistent. In 2012, the bank provided 9.0 percent of its small business loans in low-income areas, which is slightly higher than the aggregate data of 7.9 percent. In 2013, the bank provided 10.0 percent of its loans in low-income areas, which compares favorably to D&B data of 7.6 percent. In 2012, the bank provided 26.7 percent of its small business loans in moderate-income areas, which is higher than the aggregate data of 19.9 percent. In 2013, the bank's performance of 19.9 percent showed a declining trend, but it was still comparable to D&B data of 20.3 percent.

### **HMDA Loans**

The geographic distribution of HMDA loans in the Denver-Aurora-Boulder CSA is adequate. In 2012, the bank's LMI CT penetration of 5.5 percent and 16.1 percent, respectively, were higher than the aggregate data of 3.8 percent and 13.7 percent, respectively. In 2013, the bank's LMI CT penetrations of 4.0 percent and 14.9 percent, respectively, showed a declining trend, but were both comparable with the demographic data.

## **INVESTMENT TEST**

BOW's Investment Test performance in this AA is consistent with the institution's Investment Test performance in the state.

## **SERVICE TEST**

BOW's Service Test performance in this AA is consistent with the institution's Service Test performance in the state. The bank provided a higher level of service hours in Denver than for other AAs in Colorado. The bank also closed offices in Denver, including two branches in moderate-income areas, which affected the delivery of services in the Denver-Aurora-Boulder CSA.

## **Limited-Scope AA Evaluations**

Data applicable to the limited-scope AAs indicates that performance is consistent with the institution's performance in the state. Demographic data regarding limited-scope AAs is located in Appendix F.

# IOWA

*The Lending Test is rated:*                      *High Satisfactory*  
*The Investment Test is rated:*                *Low Satisfactory*  
*The Service Test is rated:*                      *Low Satisfactory*

BOW's Iowa CRA Rating is **Satisfactory**.

## **SCOPE OF EXAMINATION AND DESCRIPTION OF OPERATIONS**

Examiners conducted a full-scope, off-site evaluation of the bank's performance in the Des Moines MSA AA and limited-scope reviews of the five other AAs. A review of FDIC records and the bank's CRA public file revealed no CRA complaints since the previous evaluation in this area. BOW operates 26 branches within Iowa. Refer to the Service Test portion of this evaluation for details regarding BOW's delivery systems and any changes that occurred over the review period.

## **DESCRIPTION OF THE IOWA ASSESSMENT AREAS**

The Iowa AA is comprised of six AAs. The bulk of Iowa branches and lending occurs in three counties within the Des Moines MSA. The branches in the 12 counties collectively referred to as the Des Moines MSA.

All AA's summarized below are comprised of entire geographies and entire counties. Table IA-1 details the counties that comprise the Iowa AAs.

<b>Table IA-1 – AA Composition, Branches, and ATMs</b>					
<b>AA</b>	<b>MSA or MD</b>	<b>MSA or MD #</b>	<b>Counties</b>	<b>Branches</b>	<b>ATMs</b>
Des Moines – West Des Moines MSA	Des Moines – West Des Moines MSA	19780	Dallas, Polk, Warren	12	14
Ames MSA	Ames MSA	11180	Story	1	1
Cedar Rapids CSA	Cedar Rapids CSA, Iowa City MSA	16300, 26980	Jones, Linn, Johnson	5	8
Davenport-Moline-Rock Island MSA	Davenport-Moline-Rock Island MSA	19340	Scott	0	0
Iowa Non-MSA	N/A	99999	Winneshiek, Howard, Carroll, Shelby, Boone, Decatur, Davis, Wapello	8	8
<b>Statewide</b>			<b>Total Branches/ATM</b>	<b>26</b>	<b>31</b>
<i>Source: Bank records</i>					



Table IA-2 details the demographics of the statewide Iowa AAs.

Table IA-2 – Demographics Information						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA % of #
CTs	307	5.2	20.2	51.8	22.1	0.7
Population by CT Income Level	1,303,258	3.7	16.8	51.6	27.5	0.4
Owner-Occupied Housing Units by CT Income Level	359,848	1.7	14.8	53.3	30.2	0.0
Businesses by CT Income Level	129,045	7.1	14.2	49.1	29.5	0.1
Family by Income Level	323,493	18.9	18.1	22.8	40.2	0.0
Families by CT Income Level	323,493	2.7	15.9	52.3	29.1	0.0
Median Family Income		62,032	Median Housing Value		\$147,937	
HUD Adjusted Median Family Income for 2012		64,603				
Households Below Poverty Level		12.0%				
Source: 2010 U.S. Census Data, 2013 D&B Data						

According to Moody's Economy.com, Iowa is steadily growing as a result of strength among goods producers and private services. Hiring is especially strong in education, healthcare, and transportation. The housing market is improving as prices have rebounded to prerecession rates. Reasons for the increased demand for new housing is the availability of credit, lower interest rates, and credit card delinquency is well below the national average. However, the agriculture sector is less optimistic. Last season, the dry harvest forced corn and soybean farmers to use more propane that significantly impacted profit margins. Lower grain prices also suppressed farm income. The top industries located in the State of Iowa are financial, machinery manufacturing, food manufacturing, and truck transportation. According to the U.S. Bureau of Labor Statistics (BLS), as of January 2014, the unemployment rate for Iowa was 4.5 percent, while the nationwide unemployment rate was 7.0 percent. The top employers in the AA are Deere & Company, University of Iowa, and Wells Fargo & Company with 18,800, 18,650, and 13,616 employees, respectively.

### Community Contact Observations

CRA evaluation procedures include contacting area leaders to discuss the needs and development of the community, as well as the involvement of local financial institutions. Individuals interviewed provided the information based upon their knowledge and expertise in the housing and/or economic sectors. According to the contact, the area's credit needs are primarily home mortgage and commercial lending. The contact stated that home mortgage lending currently appears to be in more demand than commercial lending. Residential properties have low vacancy and turnover rates and are in high demand, while commercial properties have higher vacancy and turnover rates. The contact indicated that there is not enough quality housing in the area, particularly housing that LMI families can afford. Banks have opportunities to partner with area non-profit organizations and various government programs that assist LMI families with housing or assist small businesses in getting capital and financing. The contact stated that banks in the area provided good lending expertise by holding positions on boards of local non-profit

organizations serving the area. The contact concluded that local financial institutions are meeting the credit needs of the area.

## STATEWIDE PERFORMANCE TEST CONCLUSIONS

### LENDING TEST

BOW's Lending Test performance is rated High Satisfactory. HMDA lending performance is given the most weight, followed by small business lending. Examiners did not evaluate small farm lending because of the limited amount of loans originations during the review period.

#### Lending Activity

Overall, BOW's lending levels reflect good responsiveness to the AA's credit needs. Examiners reviewed the number and dollar volume of loans originated over the review period, as well as market share and market ranking figures for primary loan products to determine the bank's level of lending relative to the AA's credit needs. Aggregate small business and HMDA data is not yet available for 2013. The bank's performance in HMDA lending carries the most weight, followed by small business lending. Small farm lending was not evaluated due to minimal lending activity in the AA.

In 2012 and 2013, the bank originated 1,104 HMDA loans totaling \$122.3 million, compared to 729 small business loans totaling \$35.9 million, and 106 small farm loans totaling \$8.3 million.

#### HMDA Loans

Table IA-3 details BOW's HMDA loan market ranking and market shares during 2012 in the Iowa AA.

Table IA-3 – HMDA Loan Market Share			
AA	2012		Deposit Market Share %
	Rank (\$)	Market Share %	
All Iowa AAs Combined	22 of 463	0.8	2.7
Iowa Des Moines – West Des Moines MSA	21 of 393	0.9	3.7
Ames MSA	22 of 206	0.7	1.9
Cedar Rapids CSA	21 of 247	0.9	3.0
Davenport-Moline-Rock Island MSA	56 of 231	0.2	0.4
Iowa Non-MSA	3 of 216	6.2	8.2
Source: 2012 Aggregate Home Mortgage Data and June 2013 FDIC Summary of Deposits			

Examiners reviewed HMDA loan market share and market ranking data based on dollar volume rather than number of loans originated. BOW's HMDA lending levels reflect good

responsiveness to AA credit needs in this saturated industry. In 2012, BOW ranked a favorable 22<sup>nd</sup> out of 463 reporting lenders.

### Small Business Loans

Table IA-4 details BOW's small business loan market ranking and market shares during 2012 in the Iowa AA.

<b>Table IA-4 – Small Business Loan and Deposit Market Shares</b>			
AA	2012		Deposit Market Share %
	Rank (\$)	Market Share %	
All Iowa AAs Combined	13 of 78	1.8	2.7
Iowa Des Moines – West Des Moines MSA	10 of 65	2.6	3.7
Ames MSA	19 of 32	1.2	1.9
Cedar Rapids CSA	16 of 42	1.1	3.0
Davenport-Moline-Rock Island MSA	24 of 34	0.1	0.4
Iowa Non-MSA	10 of 42	8.2	8.2
<i>Source: 2012 CRA Aggregate Data and June 2013 FDIC Summary of Deposits</i>			

Examiners reviewed small business loan market share and market ranking data based on dollar volume rather than number of loans originated. Dollar volumes represent a more relevant comparison because market share data includes national credit card lenders. The credit card lenders report numerous small dollar loans that skew the market share ranking based on number of loans originated. Credit card lenders do not provide traditional small business loans in the same manner as BOW and its local competitors. BOW's small business lending levels reflect good responsiveness to AA credit needs in the highly competitive banking environment. In 2012, BOW ranked a favorable 13<sup>th</sup> of 78 reporting small business lenders.

### Small Farm Loans

BOW is not an active farm lender in Iowa. In 2012 and 2013, the bank originated 106 reportable small farm loans totaling \$8.3 million. While reviewed, the bank's small farm lending activities are not presented in the evaluation due to its minimal activity with this product. In 2012, BOW had a small farm lending volume of \$4.2 million that resulted in a ranking of 9<sup>th</sup> out of 39 banks in Iowa, and 16<sup>th</sup> out of 22 banks in the Des Moines MSA. Small farm lending data was reviewed and found to be consistent with small business lending's geographic distribution and borrower profile performance.

## **Borrower Profile**

The distribution of borrowers in Iowa reflects, given the product lines offered by the institution, excellent penetration among retail customers of different income levels and business customers of different sizes.

## **HMDA Loans**

The distribution of borrowers reflects excellent penetration among retail customers of different income levels.

Table IA-5 details BOW's distribution of HMDA loans by borrower income in all Iowa AAs combined.

<b>Table IA-5 – HMDA Loan Borrower Profile</b>						
<b>Borrower Income Level</b>	<b>2010 Census Families</b>	<b>2012 Aggregate Data</b>	<b>2012 Bank</b>		<b>2013 Bank</b>	
	<b>%</b>	<b>%</b>	<b>#</b>	<b>%</b>	<b>#</b>	<b>%</b>
Low	18.9	8.0	79	12.5	66	14.0
Moderate	18.1	17.1	172	27.2	128	27.1
Middle	22.8	20.9	169	26.7	121	25.6
Upper	40.2	35.3	197	31.2	145	30.7
Income Not Reported	0.0	18.7	15	2.4	12	2.6
<b>Total</b>	<b>100.0</b>	<b>100.0</b>	<b>632</b>	<b>100.0</b>	<b>472</b>	<b>100.0</b>
<i>Source: 2010 U.S. Census, 2012 HMDA Aggregate Data, 2012 and 2013 HMDA LARs</i>						

In 2012, BOW's HMDA lending shows penetration to low-income borrowers (12.5 percent) exceeds aggregate lending data (8.0 percent). In addition, lending to moderate-income borrowers (27.2 percent) substantially exceeds aggregate lending data (17.1 percent).

In 2013, the bank's lending activity to low-income borrowers (14.0 percent) reflects an upward trend compared to 2012 performance (12.5 percent), but is lower than the percent of moderate-income families (18.9 percent). The 2013 lending to moderate-income borrowers (27.1 percent) remains unchanged with the 2012 lending performance (27.2 percent), but it exceeds the percentage of moderate-income families (18.1 percent). Examiners placed more weight on the comparison to aggregate lending data versus the percentage of families by income category, as it is more reflective of the lending opportunities in the Iowa AA.

Table IA-6 on the following page details the level of BOW loans made to low-income borrowers across each AA.

<b>Table IA-6 – Low-Income Borrower Penetration Rate By AA</b>						
AA	2010 Census Families	2012 Aggregate Data	2012 Bank		2013 Bank	
	%	%	#	%	#	%
Iowa Des Moines – West Des Moines MSA	19.6	7.8	37	12.9	30	14.4
Ames MSA	18.9	8.3	6	18.2	3	16.7
Cedar Rapids CSA	17.8	8.9	9	10.6	11	13.4
Davenport-Moline-Rock Island MSA	19.3	7.2	3	60.0	0	0.0
Iowa Non-MSA	18.7	8.4	22	11.6	19	13.0
<i>Source: 2010 U.S. Census, 2012 HMDA Aggregate Data, 2012 and 2013 HMDA LARs</i>						

In 2012, BOW's lending reflects excellent performance to low-income borrowers in most of its AAs. A majority of the bank's HMDA lending to low-income borrowers in the various AAs exceeded the aggregate performance. In 2013, most of the bank's lending to low-income borrowers is on an increasing trend and above the percent of low-income families. The 2013 performance in the Davenport-Moline-Rock Island MSA AA was lacking, but this is reflective of the bank's closure of a branch in that AA.

Table IA-7 details the level of BOW loans made to moderate-income borrowers across each AA.

<b>Table IA-7 – Moderate-Income Borrower Penetration Rate By AA</b>						
AA	2010 Census Families	2012 Aggregate Data	2012 Bank		2013 Bank	
	%	%	#	%	#	%
Iowa Des Moines – West Des Moines MSA	17.7	18.1	71	24.7	50	24.0
Ames MSA	18.4	19.7	12	36.4	3	16.7
Cedar Rapids CSA	18.7	16.2	28	32.9	34	41.5
Davenport-Moline-Rock Island MSA	17.6	14.6	0	0.0	2	40.0
Iowa Non-MSA	18.4	20.0	52	27.5	37	25.3
<i>Source: 2010 U.S. Census, 2012 HMDA Aggregate Data, 2012 and 2013 HMDA LARs</i>						

In 2012, the bank demonstrated excellent performance to moderate-income borrowers for a majority of its AA. In 2013, the bank closed one branch in the Davenport-Moline-Rock Island MSA, but it did not negatively impact the bank's lending to moderate-income borrowers. In 2013, the bank's performance showed a mixture of increasing and decreasing lending within the AAs, but a majority of the bank's lending to moderate-income borrowers exceeded the percent of moderate-income families.

## Small Business Loans

The distribution of small business loans reflects, given the product lines offered, excellent penetration among businesses of different revenue sizes. For comparison purposes, the table includes aggregate lending data as a percentage of the total number of loans, and the percentage of total businesses within the Iowa AA.

Table IA-8 details BOW's distribution of small business loans by GAR in all Iowa AAs combined.

<b>Table IA-8 – Small Business Loan Borrower Profile</b>						
<b>Gross Annual Revenues</b>	<b>2013 D&amp;B</b>	<b>2012 Aggregate Data</b>	<b>2012 Bank</b>		<b>2013 Bank</b>	
	<b>%</b>	<b>%</b>	<b>#</b>	<b>%</b>	<b>#</b>	<b>%</b>
≤ \$1 Million	72.3	31.3	255	75.2	336	86.2
> \$1 Million	4.6		74	21.8	43	11.0
Not Applicable	23.1		10	3.0	11	2.8
<b>Total</b>	<b>100.0</b>		<b>339</b>	<b>100.0</b>	<b>390</b>	<b>100.0</b>
<i>Source: 2013 D&amp;B, 2012 Aggregate Data, 2012 and 2013 CRA LR's</i>						

The distribution of small business loans in Iowa reflects excellent penetration among business customers of different revenue sizes throughout the combined Iowa AAs. In 2012, BOW originated 75.2 percent of its small business loans to businesses with GARs of \$1 million or less, which is more than double the aggregate data of 31.3 percent. In 2013, the bank's lending performance (86.2 percent) is above the percentage of businesses (72.3 percent) in the area with annual revenues of \$1 million or less and reflects an upward trend.

Table IA-9 details the level of BOW's loans made to small business loans by GAR across each AA.

<b>Table IA-9 – Small Business Penetration Rate By AA</b>						
<b>AA</b>	<b>2013 D&amp;B</b>	<b>2012 Aggregate Data</b>	<b>2012 Bank</b>		<b>2013 Bank</b>	
	<b>%</b>	<b>%</b>	<b>#</b>	<b>%</b>	<b>#</b>	<b>%</b>
Iowa Des Moines – West Des Moines MSA	71.9	32.4	160	72.1	201	85.5
Ames MSA	70.5	33.9	8	80.0	7	87.5
Cedar Rapids CSA	72.9	24.3	32	86.5	34	80.9
Davenport-Moline-Rock Island MSA	72.3	27.9	6	100.0	2	100.0
Iowa Non-MSA	73.5	26.4	43	74.1	76	87.4
<i>Source: 2013 D&amp;B, 2012 Aggregate Data, 2012 and 2013 CRA LR's</i>						

In 2012, the bank's lending in all AAs was significantly above the aggregate data. In 2013, the

bank's performance remained strong and showed an increasing trend within the entire bank's AAs, except the Cedar Rapids CSA.

### **Geographic Distribution**

The geographic distribution of loans reflects adequate penetration throughout the AAs.

### **HMDA Loans**

The geographic distribution of home mortgage loans reflects an adequate penetration throughout the Iowa AA. For comparison purposes, aggregate lending data as a percentage of the total number of loans and the percentage of occupied housing units are shown.

Table IA-10 details BOW's statewide geographic distribution for HMDA loans.

<b>Table IA-10 – HMDA Loan Geographic Distribution</b>						
<b>CT Income Level</b>	<b>Owner-Occupied Housing Units</b>	<b>2012 Aggregate Lending Data</b>	<b>2012 Bank</b>		<b>2013 Bank</b>	
	<b>%</b>	<b>%</b>	<b>#</b>	<b>%</b>	<b>#</b>	<b>%</b>
Low	1.7	1.0	6	1.0	4	0.9
Moderate	14.8	9.1	47	7.4	46	9.8
Middle	53.3	47.3	384	60.8	296	62.7
Upper	30.2	42.6	195	30.8	126	26.6
N/A	0.0	0.0	0	0.0	0	0.0
<b>Total</b>	<b>100.0</b>	<b>100.0</b>	<b>632</b>	<b>100.0</b>	<b>472</b>	<b>100.0</b>
<i>Source: 2010 U.S. Census, 2012 HMDA Aggregate Data, 2012 and 2013 HMDA LARs</i>						

In 2012, BOW's lending performance in low-income CTs (1.0 percent) is identical when compared with the 2012 aggregate data (1.0 percent). However, the bank's 2012 penetration in moderate-income CTs (7.4 percent) is slightly below aggregate lending data (9.1 percent). In 2013, the bank's lending in low-income geographies decreased slightly at (0.9 percent) and is comparable with the percentage of owner-occupied units (1.7 percent). Also, the bank's 2013 lending in moderate-income CTs (9.8 percent) is below the percentages of owner-occupied housing units (14.8 percent). However, the bank's 2013 performance in moderate-income CTs (9.8 percent) reflects an upward trend when compared to the 2012 lending performance (7.4 percent).

Table IA-11 on the following page shows the geographic distribution of HMDA loans in low-income CTs within each AA.

<b>Table IA-11 – HMDA Low-Income CT Penetration By AA</b>						
AA	Owner-Occupied Housing Units	2012 Aggregate Data	2012 Bank		2013 Bank	
	%	%	#	%	#	%
Iowa Des Moines – West Des Moines MSA	1.7	1.4	6	2.1	4	1.9
Ames MSA	3.3	1.3	0	0.0	0	0.0
Cedar Rapids CSA	0.3	0.2	0	0.0	0	0.0
Davenport-Moline-Rock Island MSA	3.4	1.7	0	0.0	0	0.0
Iowa Non-MSA	0.0	0.0	0	0.0	0	0.0
<i>Source: 2010 U.S. Census, 2012 HMDA Aggregate Data, 2012 and 2013 HMDA LARs</i>						

In 2012, the bank's low-income CT HMDA lending was only center within the Des Moines MSA, which showed performance that is comparable and lightly above aggregate data. In 2013, bank' performance remained relatively unchanged. However, the absence of owner-occupied housing units in the Iowa Non-MSA AAs limits the bank's ability to lend in low-income tracts.

Table IA-12 shows the geographic distribution of HMDA loans in moderate-income CTs within each AA.

<b>Table IA-12 – HMDA Moderate-Income CT Penetration By AA</b>						
AA	Owner-Occupied Housing Units	2012 Aggregate Data	2012 Bank		2013 Bank	
	%	%	#	%	#	%
Iowa Des Moines – West Des Moines MSA	14.8	9.5	23	8.0	26	12.5
Ames MSA	6.4	4.6	1	3.0	3	16.7
Cedar Rapids CSA	16.8	12.3	11	12.9	15	18.3
Davenport-Moline-Rock Island MSA	10.1	6.1	0	0.0	0	0.0
Iowa Non-MSA	8.9	6.9	9	4.8	1	0.7
<i>Source: 2010 U.S. Census, 2012 HMDA Aggregate Data, 2012 and 2013 HMDA LARs</i>						

In 2012, the bank's HMDA lending in moderate-income CTs was generally comparable to the aggregate data in most of the AAs, except in the Davenport-Moline-Rock Island MSA where no lending was noted. In 2013, the bank's performance was mixed, where half of the AAs showed an improving trend, and the other half showed a decreasing trend. The bank's performance was primarily below the percent of owner-occupied housing units, with the exception of two AAs.



## Small Business Loans

The geographic distribution of small business loans reflects adequate penetration throughout the combined Iowa AAs. Table IA-13 details BOW's statewide geographic distribution for small business loans. For comparison purposes, the table includes aggregate lending data as a percentage of the total number of loans, and the percentage of total businesses within the Iowa AA.

<b>Table IA-13 – Small Business Loan Geographic Distribution</b>						
<b>CT Income Level</b>	<b>2013 D&amp;B</b>	<b>2012 Aggregate Data</b>	<b>2012 Bank</b>		<b>2013 Bank</b>	
	<b>%</b>	<b>%</b>	<b>#</b>	<b>%</b>	<b>#</b>	<b>%</b>
Low	7.1	5.9	22	6.5	16	4.1
Moderate	14.2	13.6	57	16.8	48	12.3
Middle	48.8	45.9	179	52.8	179	45.9
Upper	29.7	28.2	81	23.9	147	37.7
N/A	0.2	6.4	0	0.0	0	0.0
<b>Total</b>	<b>100.0</b>	<b>100.0</b>	<b>339</b>	<b>100.0</b>	<b>390</b>	<b>100.0</b>
<i>Source: 2013 D&amp;B, 2012 Aggregate Data, 2012 and 2013 CRA LRs</i>						

In 2012, BOW's penetration in low-income CTs (6.5 percent) slightly exceeds aggregate data (5.9 percent). In addition, the bank's 2012 lending performance in moderate-income CTs (16.8 percent) exceeds aggregate data (13.6 percent). In 2013, the bank's level of penetration in both LMI CTs reflects a downward trend (4.1 percent and 12.3 percent, respectively). Although, the bank's 2013 performance trended downward in the bank's LMI CTs the percentages are still comparable to D&B data (7.1 percent and 14.2 percent, respectively).

Table IA-14 details the geographic distribution of small business loans in low-income CTs within each AA.

<b>Table IA-14 – Small Business Low-Income CT Penetration By AA</b>						
<b>AA</b>	<b>2013 D&amp;B</b>	<b>2012 Aggregate Data</b>	<b>2012 Bank</b>		<b>2013 Bank</b>	
	<b>%</b>	<b>%</b>	<b>#</b>	<b>%</b>	<b>#</b>	<b>%</b>
Iowa Des Moines – West Des Moines MSA	10.3	8.3	18	8.1	10	4.3
Ames MSA	9.9	13.2	2	20.0	3	37.5
Cedar Rapids CSA	3.1	3.9	2	5.4	3	7.1
Davenport-Moline-Rock Island MSA	9.1	9.0	0	0.0	0	0.0
Iowa Non-MSA	0.0	0.0	0	0.0	0	0.0
<i>Source: 2013 D&amp;B, 2012 Aggregate Data, 2012 and 2013 CRA LRs</i>						

The bank's 2012 performance to low-income CTs exceeds the aggregate performance in three AAs, where one AA showed no low-income CT lending and two AAs had no low-income CTs. The bank's 2013 performance trended upward in the Ames MSA and Cedar Rapids CSA AAs. The bank's 2013 lending in low-income CTs exceeded D&B data in only two AAs: Ames MSA and Cedar Rapids CSA.

Table IA-15 details the geographic distribution of Small Business loans in moderate-income CTs within each AA.

<b>Table IA-15 – Small Business Moderate-Income CT Penetration By AA</b>						
AA	2013 D&B	2012 Aggregate Data	2012 Bank		2013 Bank	
	%	%	#	%	#	%
Iowa Des Moines – West Des Moines MSA	15.9	15.0	38	17.1	31	13.2
Ames MSA	4.7	4.5	0	0.0	0	0.0
Cedar Rapids CSA	19.7	17.4	10	27.0	11	26.2
Davenport-Moline-Rock Island MSA	6.9	5.8	3	50.0	0	0.0
Iowa Non-MSA	6.8	8.6	4	6.9	2	2.3
<i>Source: 2013 D&amp;B, 2012 Aggregate Data, 2012 and 2013 CRA LR</i>						

The bank's 2012 performance in moderate-income CTs exceeds the aggregate performance in Des Moines MSA, Cedar Rapids CSA, and Davenport-Moline-Rock Island MSA AAs. The bank's 2013 performance showed two AAs with no lending (Ames MSA and Davenport-Moline-Rock Island MSA), as well as a downward trend in all other AAs. However, the bank's 2013 lending in moderate-income CTs were generally comparable to the D&B data.

### **Record of Serving the Credit Needs of Highly Economically Disadvantaged**

BOW exhibits an adequate record of serving the credit needs of the most economically disadvantaged areas of its Iowa AAs, low-income individuals, and very small businesses, consistent with safe and sound banking practices. This performance is primarily evidenced by the generally adequate penetration of loans in low-income areas under the geographic distribution analysis previously discussed. Moreover, the performance is also evidenced by the generally adequate penetration of loans to low-income borrowers and loans to small businesses in the borrower profile analysis previously discussed.

### **CD Loans**

BOW made an adequate level of CD loans in the Iowa AA relative to its position in the state as the 3<sup>rd</sup> largest bank in the Iowa AA out of 204 institutions. The bank originated 7 CD loans totaling \$11.2 million. CD lending by dollar volume in Iowa of 50.9 percent was centered in lending to revitalization LMI tracts, with the remainder providing support for LMI affordable housing at 29.4 percent, and economic development at 19.6 percent.

**Table IA-16 – CD Lending**

AA	Total		Affordable Housing		Community Services		Economic Development		Revitalization or Stabilization		Neighborhood Stabilization	
	#	\$ (000)	#	\$ (000)	#	\$ (000)	#	\$ (000)	#	\$ (000)	#	\$ (000)
<b>2011</b>												
Iowa Des Moines–West Des Moines MSA	0	0	0	0	0	0	0	0	0	0	0	0
Ames MSA	0	0	0	0	0	0	0	0	0	0	0	0
Cedar Rapids CSA	0	0	0	0	0	0	0	0	0	0	0	0
Davenport-Moline-Rock Island MSA	0	0	0	0	0	0	0	0	0	0	0	0
Iowa Non-MSA	2	2,600	0	0	0	0	1	1,100	1	1,500	0	0
<b>Total IA - 2011</b>	<b>2</b>	<b>2,600</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>1</b>	<b>1,100</b>	<b>1</b>	<b>1,500</b>	<b>0</b>	<b>0</b>
<b>2012</b>												
Iowa Des Moines – West Des Moines MSA	0	0	0	0	0	0	0	0	0	0	0	0
Ames MSA	0	0	0	0	0	0	0	0	0	0	0	0
Cedar Rapids CSA	1	1,200	0	0	0	0	0	0	1	1,200	0	0
Davenport-Moline-Rock Island MSA	0	0	0	0	0	0	0	0	0	0	0	0
Iowa Non-MSA	2	2,600	0	0	0	0	1	1,100	1	1,500	0	0
<b>Total IA - 2012</b>	<b>3</b>	<b>3,800</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>1</b>	<b>1,100</b>	<b>2</b>	<b>2,700</b>	<b>0</b>	<b>0</b>
<b>2013</b>												
Iowa Des Moines – West Des Moines MSA	1	3,290	1	3,290	0	0	0	0	0	0	0	0
Ames MSA	0	0	0	0	0	0	0	0	0	0	0	0
Cedar Rapids CSA	0	0	0	0	0	0	0	0	0	0	0	0
Davenport-Moline-Rock Island MSA	0	0	0	0	0	0	0	0	0	0	0	0
Iowa Non-MSA	1	1,500	0	0	0	0	0	0	1	1,500	0	0
<b>Total IA - 2013</b>	<b>2</b>	<b>4,790</b>	<b>1</b>	<b>3,290</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>1</b>	<b>1,500</b>	<b>0</b>	<b>0</b>
<b>Grand Total</b>	<b>7</b>	<b>11,190</b>	<b>1</b>	<b>3,290</b>	<b>0</b>	<b>0</b>	<b>2</b>	<b>2,200</b>	<b>4</b>	<b>5,700</b>	<b>0</b>	<b>0</b>

Source: Bank records

Table IA-16 details the bank’s CD lending activity in Iowa. The following are two of the more notable CD loans originated by BOW during the review period:

- The bank originated a \$3.2 million loan for a 100 unit apartment that transitioned to a co-operative. All 100 units are affordable to LMI individuals in the area. The area has been

declining in income level over the years where once it was a middle-income area and now it is a moderate-income area.

- The bank renewed a line of credit for working capital to a business located in an underserved middle-income non-metropolitan tract located in a remote rural area. This loan revitalizes and stabilizes an underserved area by meeting the essential community need of permanent job creation by financing a business whose employees include LMI individuals.

## **INVESTMENT TEST**

BOW's Investment Test rating is Low Satisfactory. The bank has an adequate level of qualified CD investments and grants, although rarely in a leadership position, particularly those that are not routinely provided by private investors. BOW exhibits an adequate responsiveness to credit and community economic needs of Iowa. The bank occasionally uses innovative or complex investments to support CD initiatives.

BOW held 12 qualified investments purchased prior to the previous evaluation with a current book value of \$4.9 million, and it purchased 1 new qualifying investment during the evaluation period totaling \$3.0 million. During the review period, the bank's new statewide investment was in a LIHTC Equity Funds that invests in affordable housing projects across the state, a specific CD need noted by a community contact. Please refer to the investment discussion in the CAA analysis for details on investments.

### **Qualified Grants and Donations**

The bank reported a significant increase of nearly 46 percent in donations and grants from the \$154,000 reported at the previous evaluation. BOW's total qualified donations totaled \$285,000 during the examination period. Qualified investments and donations covered the Iowa AAs in a manner consistent with the bank's allocation of resources.

Table IA-17 on the following page details the bank's qualified donations by type and category in Iowa.

Table IA-17 – CD Donations												
AA	Total		Affordable Housing		Community Services		Economic Development		Revitalization or Stabilization		Neighborhood Stabilization	
	#	\$(000)	#	\$(000)	#	\$(000)	#	\$(000)	#	\$(000)	#	\$(000)
<b>2011</b>												
Iowa Des Moines – West Des Moines MSA	7	38	2	10	4	18	1	10	0	0	0	0
Ames MSA	2	1	0	0	2	1	0	0	0	0	0	0
Cedar Rapids CSA	6	17	1	5	4	8	0	0	1	4	0	0
Davenport-Moline-Rock Island MSA	3	7	0	0	3	7	0	0	0	0	0	0
Iowa Non-MSA	5	16	0	0	3	9	2	7	0	0	0	0
<b>Total IA - 2011</b>	<b>23</b>	<b>79</b>	<b>3</b>	<b>15</b>	<b>16</b>	<b>43</b>	<b>3</b>	<b>17</b>	<b>1</b>	<b>4</b>	<b>0</b>	<b>0</b>
<b>2012</b>												
Iowa Des Moines – West Des Moines MSA	14	69	3	15	9	41	2	13	0	0	0	0
Ames MSA	1	0	0	0	1	0	0	0	0	0	0	0
Cedar Rapids CSA	7	13	1	2	5	7	0	0	1	4	0	0
Davenport-Moline-Rock Island MSA	2	3	0	0	2	3	0	0	0	0	0	0
Iowa Non-MSA	17	26	0	0	14	20	3	6	0	0	0	0
<b>Total IA - 2012</b>	<b>41</b>	<b>111</b>	<b>4</b>	<b>17</b>	<b>31</b>	<b>71</b>	<b>5</b>	<b>19</b>	<b>1</b>	<b>4</b>	<b>0</b>	<b>0</b>
<b>2013</b>												
Iowa Des Moines – West Des Moines MSA	16	69	2	13	12	43	2	13	0	0	0	0
Ames MSA	2	2	0	0	2	2	0	0	0	0	0	0
Cedar Rapids CSA	4	8	0	0	3	7	1	1	0	0	0	0
Davenport-Moline-Rock Island MSA	0	0	0	0	0	0	0	0	0	0	0	0
Iowa Non-MSA	9	18	2	6	6	9	1	3	0	0	0	0
<b>Total IA - 2013</b>	<b>31</b>	<b>97</b>	<b>4</b>	<b>19</b>	<b>23</b>	<b>61</b>	<b>4</b>	<b>17</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Grand Total</b>	<b>95</b>	<b>287</b>	<b>11</b>	<b>51</b>	<b>70</b>	<b>175</b>	<b>12</b>	<b>53</b>	<b>2</b>	<b>8</b>	<b>0</b>	<b>0</b>
Source: Bank records												

## SERVICE TEST

BOW is rated Low Satisfactory in the Iowa Service Test. Delivery systems are accessible to essentially all portions of the Iowa AAs. To the extent changes have been made, the institution's opening and closing of branches has adversely affected the accessibility of its delivery systems particularly in LMI geographies and/or to LMI individuals. Branching changes have adversely affected the accessibility of delivery systems. Services and hours do not vary in a way that inconveniences certain portions of the AA, particularly LMI geographies and/or individuals. Finally, BOW provided a relatively high level of CD services over the review period.

### **Reasonableness of Business Hours and Services**

Services and hours do not vary in a way that inconveniences certain portions of the AA, particularly LMI geographies or individuals. One branch in a middle-income tract is a drive-up, and any service differences are not relevant, given that a full-service branch is a short distance away in the same CT. All but two branches offer ATMs, and both are located in middle-income CTs. Business hours vary, but not in manner that inconveniences LMI areas.

### **Accessibility of Delivery Systems**

Delivery systems are reasonably accessible to essentially all portions of the Iowa AAs. BOW operates 26 branches in Iowa. Table IA-18 details the BOW's distribution of branches and ATMs as well as the percentages of branches and demographic information CT income levels in Iowa.

<b>Table IA-18 – Branch Structure</b>						
<b>Branch and ATM Distribution</b>	<b>CT Income Level</b>					
	<b>Low</b>	<b>Moderate</b>	<b>Middle</b>	<b>Upper</b>	<b>NA</b>	<b>Total</b>
Number of Branches as of March 3, 2014	4	2	15	5	0.0	26
Percentage of Branches	15.4	7.7	57.7	19.2	0.0	100.0
Number of ATMs as of March 3, 2014	4	5	16	6	0.0	31
Percentage of ATMs	12.9	16.1	51.6	19.4	0.0	100.0
<b>Comparisons</b>						
Percentage of Branches - All Institutions	9.1	16.2	49.8	24.9	0.0	100.0
Percentage of Households	3.8	17.9	52.5	25.8	0.0	100.0
Percentage of Families	2.7	15.9	52.3	29.1	0.0	100.0
Percentage of Businesses	7.1	14.2	49.1	29.5	0.1	100.0
<i>Source: Bank records, 2010 U.S. Census, 2013 D&amp;B</i>						

BOW operates four branches in low-income areas equal to 15.4 percent of its branches, which exceeds the percentage of competition, household, family, and business demographics of the AAs. Within moderate-income tracts, BOW lags behind the competition and demographics from a branch coverage perspective.

Table IA-19 presents the LMI tract penetration rates compared to the competition for each AA.

<b>Table IA-19 – LMI CT Branch Distribution</b>				
<b>AA</b>	<b>Low-Income CTs</b>		<b>Moderate-Income CTs</b>	
	<b>Bank (%)</b>	<b>Aggregate (%)</b>	<b>Bank (%)</b>	<b>Aggregate (%)</b>
Iowa Des Moines – West Des Moines MSA	11.5	9.2	3.8	16.2
Ames MSA	0	20.0	0	6.7
Cedar Rapids CSA	3.8	7.9	3.8	23.7
Davenport-Moline-Rock Island MSA	0	9.8	0	6.1
Iowa Non-MSA	0	0.0	0	7.5
<i>Source: Bank records, 2012 Peer Deposit Data</i>				

Coverage of LMI areas in each AA appears reasonable except for Davenport-Moline-Rock Island MSA. In the Ames MSA, BOW does not operate a branch in a low-income tract, but the Ames branch is one block from a low-income CT. In the Iowa Non-MSA AA, BOW does not operate any branches in moderate-income geographies, but three of its branches are reasonably close to moderate-income areas.

### **Changes in Branch Locations**

BOW's record of opening and closing branches has adversely affected the accessibility of the bank's delivery systems, particularly in LMI geographies and/or to LMI individuals. Since the previous evaluation, BOW has closed 12 branches in Iowa. Three of the 12 branch closures were located in moderate-income CTs in the Cedar Rapids CSA. BOW did not open any offices in the State of Iowa during the review period.

### **CD Services**

BOW provides a relatively high level of CD services in Iowa. CD services increased slightly from 485 hours, reported at the previous evaluation, to 549 hours at this evaluation.

Table IA-20 on the following page shows the total number, hours and type of CD services by AA.

**Table IA-20 – CD Services**

AA	Total		Affordable Housing		Community Services		Economic Development		Revitalization or Stabilization		Neighborhood Stabilization	
	#	Hours	#	Hours	#	Hours	#	Hours	#	Hours	#	Hours
<b>2011</b>												
Iowa Des Moines – West Des Moines MSA	4	69	2	46	2	23	0	0	0	0	0	0
Ames MSA	0	0	0	0	0	0	0	0	0	0	0	0
Cedar Rapids CSA	0	0	0	0	0	0	0	0	0	0	0	0
Davenport-Moline-Rock Island MSA	1	3	0	0	1	3	0	0	0	0	0	0
Iowa Non-MSA	0	0	0	0	0	0	0	0	0	0	0	0
<b>Total IA - 2011</b>	<b>5</b>	<b>72</b>	<b>2</b>	<b>46</b>	<b>3</b>	<b>26</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>2012</b>												
Iowa Des Moines – West Des Moines MSA	23	55	2	11	21	44	0	0	0	0	0	0
Ames MSA	0	0	0	0	0	0	0	0	0	0	0	0
Cedar Rapids CSA	0	0	0	0	0	0	0	0	0	0	0	0
Davenport-Moline-Rock Island MSA	2	240	0	0	2	240	0	0	0	0	0	0
Iowa Non-MSA	2	5	0	0	2	5	0	0	0	0	0	0
<b>Total IA - 2012</b>	<b>27</b>	<b>300</b>	<b>2</b>	<b>11</b>	<b>25</b>	<b>289</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>2013</b>												
Iowa Des Moines – West Des Moines MSA	38	176	6	16	32	160	0	0	0	0	0	0
Ames MSA	0	0	0	0	0	0	0	0	0	0	0	0
Cedar Rapids CSA	1	1	0	0	1	1	0	0	0	0	0	0
Davenport-Moline-Rock Island MSA	0	0	0	0	0	0	0	0	0	0	0	0
Iowa Non-MSA	0	0	0	0	0	0	0	0	0	0	0	0
<b>Total IA - 2013</b>	<b>39</b>	<b>177</b>	<b>6</b>	<b>16</b>	<b>33</b>	<b>161</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Grand Total</b>	<b>71</b>	<b>549</b>	<b>10</b>	<b>73</b>	<b>61</b>	<b>476</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>

Source: Bank records



# DES MOINES MSA FULL-SCOPE EVALUATION

## SCOPE OF EXAMINATION

Examiners conducted a full-scope, off-site evaluation of BOW's performance in the Des Moines MSA AA. This section of the evaluation represents a more in-depth borrower profile and geographic distribution review of loans originated than illustrated in the statewide AA analysis.

## DESCRIPTION OF THE DES MOINES MSA ASSESSMENT AREA

The counties that comprise this AA are detailed in the statewide description. Table IA-21 reflects the demographics of the AA.

Table IA-21 – Demographic Information for Des Moines MSA AA						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA % of #
CTs	125	6.4	24.0	44.8	24.0	0.8
Population by CT Income Level	543,000	4.8	21.3	43.6	30.3	0.0
Owner-Occupied Housing Units by CT Income Level	151,191	2.5	18.5	46.1	32.9	0.0
Businesses by CT Income Level	56,633	10.3	16.1	41.1	32.4	0.1
Families by Income Level	137,868	3.9	20.3	44.3	31.5	0.0
Families by CT Income Level	137,868	19.5	17.7	22.9	39.9	0.0
Median Family Income		71,705	Median Housing Value	\$157,040		
HUD Adjusted Median Family Income for 2013		72,900				
Households Below Poverty Level		9.0%				
Source: 2010 U.S. Census Data, 2013 D&B Data						

According to Moody's Analytics, the Des Moines economy has improved quicker than Iowa as a whole. The unemployment rate is near its prerecession level, despite the labor force increasing at 2.7 percent over 1 year ago. Credit conditions are good across many different types of credit. Delinquency rates are below the national average. Houses are underpriced at 9 percent, but are considered stable. Better credit conditions will present residents with opportunities to purchase homes in the coming quarters as household growth rebounds from lows of the recession-era. The metro area's comparative advantage is lower business costs compared with those in other traditional banking centers. The gradual recovery of the mortgage market will boost local financial services more than other areas in the state. The top employers in the AA are Wells Fargo & Company, Mercy Medical Center, and Principal Financial Group with 13,000, 7,100 and 6,131 employees, respectively.

## **PERFORMANCE TEST CONCLUSIONS**

### **LENDING TEST**

The Des Moines MSA AA full-scope evaluation represents a more in-depth review of the borrower profile and geographic distribution components of the Lending Test. Loan products analyzed include HMDA and small business loans.

#### **Borrower Profile**

BOW's distribution of borrowers in the Des Moines MSA reflects, given the product lines offered by the institution, excellent penetration among retail customers of different income levels and business customers of different revenue sizes. This conclusion is consistent with the statewide performance.

#### **HMDA Loans**

The bank has an excellent penetration level to LMI borrowers in the Des Moines MSA. In 2012, BOW's lending performance to low-income borrowers (12.9 percent) is above aggregate lending data (7.8 percent). In 2012, the bank originated 24.7 percent of loans to moderate-income borrowers that is also above the aggregate lending data of 18.1 percent. In 2013, the bank showed an increasing trending in its lending to low-income borrowers (14.4 percent), but no material change to its lending to moderate-income borrowers (24.0 percent).

#### **Small Business Loans**

The distribution of borrowers reflects excellent penetration among business customers of different revenue sizes in the Des Moines MSA AA. In 2012, BOW originated 72.1 percent of its loans to small businesses with GARs of \$1 million or less. This performance significantly exceeds the aggregate performance (32.4 percent). In 2013, the bank's performance to small business borrowers (85.5 percent) exceeds the D&B data (71.9 percent) and shows an upward trend.

#### **Geographic Distribution**

BOW's geographic distribution of loans reflects adequate penetration throughout the Des Moines MSA AA.

#### **HMDA Loans**

The geographic distribution of HMDA loans reflects adequate penetration throughout the Des Moines MSA AA. The 2012 penetration in low-income CTs (2.1 percent) was slightly above the aggregate data (1.4 percent). Also, the 2012 penetration rate to moderate-income CTs (8.0 percent) was slightly below the aggregate data (9.5 percent). The 2013 performance in low-income CTs (1.9 percent) trended slightly downward, while performance in the moderate-income CTs (12.5 percent) trended upward, which is consistent with the statewide performance.

### Small Business Loans

The geographic distribution of small business loans reflects adequate penetration throughout the Des Moines MSA AA. BOW's 2012 penetration in low-income CTs (8.1 percent) was slightly below the aggregate data (8.3 percent). However, the bank's 2012 performance in moderate-income CTs (17.1 percent) exceeds the aggregate data (15.0 percent). In 2013, the bank's performance in low-income CTs (4.3 percent) trended downward and is below D&B data (10.3 percent). The bank's 2013 performance in moderate-income CTs (13.2 percent) is slightly below D&B data (15.9 percent), which is consistent with the statewide performance.

### **INVESTMENT TEST**

BOW's Investment Test performance in this AA is consistent with the institution's Investment Test performance in the state.

### **SERVICE TEST**

BOW's Service Test performance in this AA is consistent with the institution's Service Test performance in the state.

## **Limited-Scope AA Evaluations**

Data applicable to the limited-scope AAs indicates that performance is consistent with the institution's performance in the state. Demographic data regarding limited-scope AAs is located in Appendix G.

# MINNESOTA

*The Lending Test is rated:*                      *High Satisfactory*  
*The Investment Test is rated:*                *High Satisfactory*  
*The Service Test is rated:*                      *Low Satisfactory*

BOW's Minnesota CRA Rating is **Satisfactory**.

## SCOPE OF EXAMINATION AND DESCRIPTION OF OPERATIONS

Examiners conducted a full-scope, off-site evaluation of the bank's performance in the Minnesota Non-MSA AA, and limited-scope reviews of the two other AAs. A review of FDIC records and the bank's CRA public file revealed no CRA complaints since the previous evaluation. BOW operates 22 full-service branches, 1 limited-service office, and 20 ATMs within the AA. Refer to the Service Test portion of this evaluation for details regarding BOW's delivery systems and any changes that occurred over the review period.

## DESCRIPTION OF THE MINNESOTA ASSESSMENT AREAS

Table MN-1 details the counties that comprise the Minnesota AAs. There are 3 AAs in Minnesota that contain a total of 578 CTs. Specifically, 503 CTs are included in the Minneapolis-St. Paul-St. Cloud CSA, 5 CTs are included in the La Crosse MSA, and the remaining 70 CTs are part of the Non-MSA AA. The 578 tracts include all or a portion of 20 counties in Minnesota. Of the 578 CTs in the Minnesota AAs, 42 CTs are low-income tracts, 115 are moderate-income tracts, 293 are middle-income tracts, and 140 are upper-income CTs. Ten of these CTs are designated as underserved geographies, 4 are designated distressed, and 2 are designated underserved and distressed geographies.

Table MN-1 – AA Composition, Branches, and ATMs					
AA	MSA or MD	MSA or MD #	Counties	Branches	ATMs
Minneapolis-St. Paul-St. Cloud CSA	Minneapolis-St. Paul-Bloomington, MN-WI MSA St. Cloud, MN MSA	33460 41060	Anoka, Carver, Dakota, Hennepin, Stearns	6	5
La Crosse MSA	La Crosse MSA	29100	Houston	1	1
Minnesota Non-MSA	N/A	99999	Cottonwood, Fillmore, Grant, Jackson, Lincoln, Lyon, Morrison, Nobles, Norman, Otter Tail, Stevens, Swift, Traverse, Wilkin	16	14
<b>Statewide</b>			<b>Total Branches/ATMs</b>	23	20
Source: Bank records					

Table MN-2 reflects the demographics of the statewide Minnesota AAs.

Table MN-2 – Demographic Information						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA % of #
CTs	578	7.3	19.7	48.8	24.2	0.0
Population by CT Income Level	2,256,416	5.9	18.4	48.4	27.3	0.0
Owner-Occupied Housing Units by CT Income Level	644,463	2.2	15.1	52.8	29.9	0.0
Businesses by CT Income Level	216,548	4.0	17.2	47.0	31.8	0.0
Farms by CT Income Level	11,731	0.5	7.7	79.1	12.7	0.0
Families by Income Level	569,489	19.2	17.8	23.2	39.8	0.0
Families by CT Income Level	569,489	4.1	16.8	50.4	28.7	0.0
Median Family Income		72,960	Median Housing Value		\$245,018	
HUD Adjusted Median Family Income for 2013		75,036				
Households Below Poverty Level		9.0%				
Source: 2010 U.S. Census Data, 2013 D&B Data						

According to the U.S. BLS, Minnesota's unemployment rate for the 4<sup>th</sup> quarter 2013 was 4.7 percent, while the nationwide unemployment rate was 7.0 percent. As published by the Bureau of Economic Analysis, the statewide average monthly income per person was \$3,910 in 2012. In comparison, the average monthly income per person for the United States was \$3,645. While the highest monthly wages in the metropolitan areas were earned in the construction industry, the Non-MSA areas are focused on natural resources, mining, and agricultural-related industry.

### Community Contact Observations

Community contacts stated that the AA's economy has remained stable and primarily reliant on agricultural-related industries. In addition, the primary credit needs identified by the contacts were agricultural-related credits. Statements were made that local financial institutions are doing a good job of meeting the credit needs of the AAs; however, there are still opportunities for banks to meet the credit needs identified. All contacts stated that local financial institutions are meeting the credit needs of the area and had positive comments regarding these institutions.

## **STATEWIDE PERFORMANCE TEST CONCLUSIONS**

### **LENDING TEST**

BOW is rated High Satisfactory in the Lending Test. The rating reflects good responsiveness to the credit needs of the AAs it serves. The greatest consideration is given to small farm loans, followed by small business and HMDA loans.

### Lending Activity

Overall, BOW's lending levels reflect excellent responsiveness to AA credit needs. Examiners reviewed the number and dollar volume of loans originated over the review period, as well as

market share and market ranking figures for primary loan products to determine the bank's level of lending relative to AA credit needs. Tables MN-3 through MN-5 detail BOW's loan market ranking and market shares during 2012 by loan type in the Minnesota AAs. Loan market share for small business and small farm loans is based on the dollar amount of loans, whereas loan market share for HMDA loans is based on the number of loans. Aggregate small business, HMDA, and small farm data is not yet available for 2013. In 2012 and 2013, the bank originated 484 small business loans totaling \$46.2 million, 552 HMDA loans totaling \$70.9 million, and 543 small farm loans totaling \$63.9 million.

### Small Business Loans

Table MN-3 details BOW's small business loan market ranking and market shares during 2012 in the Minnesota AAs.

<b>Table MN-3 – Small Business Loan and Deposit Market Shares</b>			
AA	2012		Deposit Market Share %
	Rank (\$)	Market Share %	
All Minnesota AAs Combined	17 of 111	1.1	0.5
Minneapolis-St. Paul-St. Cloud CSA	23 of 108	0.6	0.3
La Crosse MSA	3 of 23	13.9	12.9
Minnesota Non-MSA	6 of 49	7.6	11.8
<i>Source: 2012 CRA Aggregate Data and June 2013 FDIC Summary of Deposits</i>			

Examiners reviewed small business loan market share and market ranking data based on dollar volume rather than number of loans originated. Dollar volumes represent a more relevant comparison, because market share data includes national credit card lenders. The credit card lenders report numerous small dollar loans that skew the market share ranking based on number of loans originated. Credit card lenders do not provide traditional small businesses loans in the same manner as BOW and its local competitors. BOW's small business lending levels reflect excellent responsiveness to AA credit needs in the highly competitive banking environment. In 2012, BOW ranked a favorable 17<sup>th</sup> of 111 reporting small business lenders.

## HMDA Loans

Table MN-4 details BOW's HMDA loan market ranking and market shares during 2012 in the Minnesota AAs.

<b>Table MN-4 – HMDA Loan Market Share</b>		
<b>AA</b>	<b>2012</b>	
	<b>Rank (#)</b>	<b>Market Share %</b>
All Minnesota AAs Combined	57 of 652	0.2
Minneapolis-St. Paul-St. Cloud CSA	130 of 606	0.1
La Crosse MSA	7 of 65	3.0
Minnesota Non-MSA	6 of 288	2.9
<i>Source: 2012 HMDA Aggregate Data</i>		

Examiners reviewed HMDA loan market share and market ranking data based on dollar volume rather than number of loans originated. BOW's HMDA lending levels reflect good responsiveness to AA credit needs in this saturated industry. In 2012, BOW ranked a favorable 57th out of 652 reporting lenders.

## Small Farm Loans

Table MN-5 details BOW's small farm loan market ranking and market shares during 2012 in the Minnesota AAs.

<b>Table MN-5 – Small Farm Loan Market Share</b>		
<b>AA</b>	<b>2012</b>	
	<b>Rank (\$)</b>	<b>Market Share %</b>
All Minnesota AAs Combined	2 of 39	16.7
Minneapolis-St. Paul-St. Cloud CSA	13 of 29	1.4
La Crosse MSA	1 of 9	58.9
Minnesota Non-MSA	2 of 33	18.6
<i>Source: 2012 CRA Aggregate Data</i>		

Examiners reviewed small farm loan market share and market ranking data based on dollar volume rather than number of loans originated. Dollar volumes represent a more relevant comparison. BOW's small farm lending levels reflect adequate responsiveness to AA credit needs in the Minnesota markets in which it serves. In 2012, BOW ranked 2<sup>nd</sup> out of 39 reporting small farm lenders.

## Borrower Profile

The distribution of borrowers in Minnesota reflects, given the product lines offered by the institution, excellent penetration among retail customers of business and farm operators of different revenue sizes and different income levels among retail customers.

### Small Business Loans

The distribution of borrowers reflects excellent penetration among businesses of different sizes. Table MN-6 in the following page reflects BOW's distribution of small business loans by GAR in all Minnesota AAs combined. In 2012, BOW originated 71.4 percent of its small business loans to businesses with GARs of \$1 million or less and it significantly exceeds the aggregate data of 36.9 percent. In 2013, lending to small businesses with GARs of \$1 million or less trended upward slightly to 73.5 percent and is comparable to the D&B data of 73.6 percent.

<b>Table MN-6 – Small Business Loan Borrower Profile</b>						
<b>GARs</b>	<b>2013 D&amp;B</b>	<b>2012 Aggregate Data</b>	<b>2012 Bank</b>		<b>2013 Bank</b>	
	<b>%</b>	<b>%</b>	<b>#</b>	<b>%</b>	<b>#</b>	<b>%</b>
≤ \$1 Million	73.6	36.9	160	71.4	191	73.5
> \$1 Million	5.2		58	25.9	66	25.4
Not Reported	21.2		6	2.7	3	1.1
<b>Total</b>	<b>100.0</b>		<b>224</b>	<b>100.0</b>	<b>260</b>	<b>100.0</b>
<i>Source: 2013 D&amp;B Data, 2012 CRA Aggregate Data, 2012 and 2013 CRA LRs</i>						

Table MN-7 reflects the rate of lending to businesses with GARs of \$1 million or less by AA within Minnesota. The concentration of lending by number and dollar amount is centered within the Non-MSA AA; therefore, more weight was placed in this area. The 2012 performance in the Non-MSA AA of 76.2 percent significantly exceeds the aggregate data of 32.7 percent. In 2013, the bank's performance in this AA of 79.2 percent trended upward and exceeded the D&B data of 74.3 percent.

<b>Table MN-7 – Small Business Penetration Rate By AA</b>						
<b>AA</b>	<b>2013 D&amp;B</b>	<b>2012 Aggregate Data</b>	<b>2012 Bank</b>		<b>2013 Bank</b>	
	<b>%</b>	<b>%</b>	<b>#</b>	<b>%</b>	<b>#</b>	<b>%</b>
Minneapolis-St. Paul-St. Cloud CSA	73.5	37.3	56	65.1	50	64.9
La Crosse MSA	77.2	25.5	11	68.8	15	62.5
Minnesota Non-MSA	74.3	32.7	93	76.2	126	79.2
<i>Source: 2013 D&amp;B, 2012 Aggregate Data, 2012 and 2013 CRA LRs</i>						

### Small Farm Loans

The distribution of borrowers reflects excellent penetration among small farm customers of different sizes. Table MN-8 in the following page reflects BOW's distribution of small farm loans by GAR in all Minnesota AAs combined. In 2012, BOW originated 73.8 percent of loans



to small businesses with GARs of \$1 million or less that which significantly exceeds the aggregate performance of 47.9 percent. In 2013, the bank's performance trended slightly upward to 77.0 percent, but is below the D&B data of 98.3 percent.

<b>Table MN-8 – Small Farm Loan Borrower Profile</b>						
<b>GARs</b>	<b>2013 D&amp;B</b>	<b>2012 Aggregate Data</b>	<b>2012 Bank</b>		<b>2013 Bank</b>	
	<i>%</i>	<i>%</i>	<b>#</b>	<i>%</i>	<b>#</b>	<i>%</i>
≤ \$1 Million	98.3	47.9	186	73.8	224	77.0
> \$1 Million	1.1		62	24.6	61	21.0
Not Reported	0.6		4	1.6	6	2.0
<b>Total</b>	<b>100.0</b>		<b>252</b>	<b>100.0</b>	<b>291</b>	<b>100.0</b>
<i>Source: 2013 D&amp;B, 2012 Aggregate Data, 2012 and 2013 CRA LR</i>						

Table MN-9 details the rate of lending to farms with GARs of \$1 million or less by AA within Minnesota. Due to the volume of small farm lending in the Non-MSA portion of Minnesota, the bank's performance for this area is given the most weight and is generally consistent with the bank's performance at the statewide level. In 2012, BOW originated 69.5 percent of its loans to small farms with GARs of \$1 million or less, which is significantly above the aggregate data of 46.8 percent. In 2013, the bank's performance trended upward to 76.9 percent, but is below the D&B data of 99.2 percent.

<b>Table MN-9 – Small Farm Penetration Rate By AA</b>						
<b>AA</b>	<b>2013 D&amp;B</b>	<b>2012 Aggregate Data</b>	<b>2012 Bank</b>		<b>2013 Bank</b>	
	<i>%</i>	<i>%</i>	<b>#</b>	<i>%</i>	<b>#</b>	<i>%</i>
Minneapolis-St. Paul-St. Cloud CSA	97.2	50.6	5	100.0	2	100.0
La Crosse MSA	99.5	48.9	35	94.6	26	76.5
Minnesota Non-MSA	99.2	46.8	146	69.5	196	76.9
<i>Source: 2013 D&amp;B, 2012 Aggregate Data, 2012 and 2013 CRA LR</i>						

### HMDA Loans

The distribution of borrowers reflects good penetration among retail customers of different income levels. Table MN-10 on the following page reflects BOW's statewide distribution of HMDA loans by borrower income level. In 2012, lending to low-income borrowers exceeds the aggregate performance, while the bank's performance to moderate-income borrowers is slightly below and comparable to aggregate. In 2013, BOW's HMDA lending to LMI borrowers trended upward, but only the bank's lending to moderate-income borrowers exceeded the demographic data.

Table MN-10 – HMDA Loan Borrower Profile						
Borrower Income Level	2010 Census Families	2012 Aggregate Data	2012 Bank		2013 Bank	
	%	%	#	%	#	%
Low	19.2	9.2	37	12.0	32	13.2
Moderate	17.8	18.8	54	17.5	62	25.5
Middle	23.2	21.5	71	23.0	67	27.6
Upper	39.8	36.3	124	40.1	73	30.0
Not Reported	0.0	14.2	23	7.4	9	3.7
<b>Total</b>	<b>100.0</b>	<b>100.0</b>	<b>309</b>	<b>100.0</b>	<b>243</b>	<b>100.0</b>
<i>Source: 2010 U.S. Census, 2012 Aggregate Data, and 2012 and 2013 HMDA LARs</i>						

Tables MN-11 and MN-12 (on the following page) reflect BOW's lending penetration to LMI borrowers within each AA in Minnesota. The majority of the bank's lending is concentrated in the Non-MSA AA; therefore, more weight is given to this area. BOW's 2012 penetration of LMI borrowers is generally above aggregate data, except for the LMI lending to borrowers in the Minneapolis-St. Paul-St. Cloud CSA and the lending to moderate-income borrowers in the La Crosse MSA. In 2013, the bank's performance to LMI borrowers shows an upward trend, except to the moderate-income borrowers in the Non-MSA Minnesota AA, which remained relatively unchanged.

Table MN-11 – Low-Income Borrower Penetration Rate By AA						
AA	2010 Census Families	2012 Aggregate Data	2012 Bank		2013 Bank	
	%	%	#	%	#	%
Minneapolis-St. Paul-St. Cloud CSA	19.2	9.4	5	7.7	5	13.5
La Crosse MSA	19.9	12.7	5	19.2	4	26.7
Minnesota Non-MSA	19.8	6.9	27	12.4	23	12.0
<i>Source: 2010 U.S. Census, 2012 Aggregate Data, and 2012 and 2013 HMDA LARs</i>						

<b>Table MN-12 – Moderate-Income Borrower Penetration Rate By AA</b>						
AA	2010 Census Families	2012 Aggregate Data	2012 Bank		2013 Bank	
	%	%	#	%	#	%
Minneapolis-St. Paul-St. Cloud CSA	17.6	18.9	10	15.4	6	16.2
La Crosse MSA	19.5	23.8	5	19.2	5	33.3
Minnesota Non-MSA	19.4	17.2	39	17.9	51	26.7
<i>Source: 2010 U.S. Census, 2012 Aggregate Data, and 2012 and 2013 HMDA LARs</i>						

### **Geographic Distribution**

BOW's geographic distribution of loans reflects adequate penetration throughout the Minnesota AAs.

### **Small Business Loans**

The geographic distribution of small business loans reflects adequate penetration throughout the Minnesota AAs. As reflected in Table MN-13, the bank's 2012 penetration in LMI CTs lags the aggregate data with minimal lending in low-income CTs. In 2013, the lending showed a downward trend, as well as no lending in low-income CTs. The lack of lending in low-income CTs is due to the limited lending opportunities within the Minnesota Non-MSA, where most of the bank's small business lending in Minnesota is concentrated.

<b>Table MN-13 – Small Business Loan Geographic Distribution</b>						
CT Income Level	2013 D&B	2012 Aggregate Data	2012 Bank		2013 Bank	
	%	%	#	%	#	%
Low	4.0	2.9	2	0.9	0	0.0
Moderate	17.2	16.6	32	14.3	33	12.7
Middle	47.0	44.5	166	74.1	199	76.5
Upper	31.8	31.8	24	10.7	28	10.8
N/A	0.0	4.2	0	0.0	0	0.0
<b>Total</b>	<b>100.0</b>	<b>100.0</b>	<b>224</b>	<b>100.0</b>	<b>260</b>	<b>100.0</b>
<i>Source: 2013 D&amp;B, 2012 Aggregate Data, 2012 and 2013 CRA LRs</i>						

Tables MN-14 and MN-15 on the following page reflect the bank's small business penetration by AA. Table MN-14 indicates that BOW had minimal small business penetration of low-income CTs in 2012 and none in 2013. However, the bank's low-income CTs are centered within the Minneapolis-St. Paul-St. Cloud CSA. Table MN-15 shows that in 2012 BOW's penetration of moderate-income CTs is mix where stronger performance was noted in the Minnesota Non-MSA, while in 2013 stronger performance was noted in the Minneapolis-St. Paul-St. Cloud CSA.

<b>Table MN-14 – Small Business Low-Income CT Penetration By AA</b>						
AA	2013 D&B	2012 Aggregate Data	2012 Bank		2013 Bank	
	%	%	#	%	#	%
Minneapolis-St. Paul-St. Cloud CSA	4.5	3.2	2	2.3	0	0.0
La Crosse MSA	0.0	0.0	0	0.0	0	0.0
Minnesota Non-MSA	0.0	0.0	0	0.0	0	0.0
<i>Source: 2013 D&amp;B, 2012 Aggregate Data, 2012 and 2013 CRA LRs</i>						

<b>Table MN-15 – Small Business Moderate-Income CT Penetration By AA</b>						
AA	2013 D&B	2012 Aggregate Data	2012 Bank		2013 Bank	
	%	%	#	%	#	%
Minneapolis-St. Paul-St. Cloud CSA	17.9	17.2	13	15.1	15	19.5
La Crosse MSA	0.0	0.0	0	0.0	0	0.0
Minnesota Non-MSA	12.5	11.0	19	15.6	18	11.3
<i>Source: 2013 D&amp;B, 2012 Aggregate Data, 2012 and 2013 CRA LRs</i>						

### Small Farm Loans

Table MN-16 shows that the geographic distribution of small farm loans reflects adequate penetration throughout the Minnesota AAs. The table indicates no penetration of low-income CTs; however, the only low-income geographies in the bank's AAs in Minnesota are in the Minneapolis area where there is no demand for small farm lending. In 2012, the bank's penetration of moderate-income CTs is less than aggregate data. In 2013, the bank's lending trended upward, but is slightly below the D&B data.

<b>Table MN-16 – Small Farm Loan Geographic Distribution</b>						
CT Income Level	2013 D&B	2012 Aggregate Data	2012 Bank		2013 Bank	
	%	%	#	%	#	%
Low	0.5	0.1	0	0.0	0	0.0
Moderate	7.7	3.5	7	2.8	16	5.5
Middle	79.1	84.2	228	90.5	261	89.7
Upper	12.7	10.6	17	6.7	14	4.8
N/A	0.0	1.6	0	0.0	0	0.0
<b>Total</b>	<b>100.0</b>	<b>100.0</b>	<b>252</b>	<b>100.0</b>	<b>291</b>	<b>100.0</b>
<i>Source: 2013 D&amp;B, 2012 Aggregate Data, 2012 and 2013 CRA LRs</i>						

Tables MN-17 and MN-18 reflect BOW's small farm loan penetration of LMI CTs by AAs. Table MN-17 reflects no small farm lending in the low-income CTs. This performance is mitigated by the fact that the small farms are primarily in the Non-MSA and there are no low-income CTs in the Non-MSA AA. In Table MN-18, BOW's 2012 penetration of moderate-income tracts exceeds aggregate data and shows an upward trend in 2013.

<b>Table MN-17 – Small Farm Low-Income CT Penetration By AA</b>						
AA	2013 D&B	2012 Aggregate Data	2012 Bank		2013 Bank	
	%	%	#	%	#	%
Minneapolis-St. Paul-St. Cloud CSA	1.2	0.2	0	0.0	0	0.0
La Crosse MSA	0.0	0.0	0	0.0	0	0.0
Minnesota Non-MSA	0.0	0.0	0	0.0	0	0.0
<i>Source: 2013 D&amp;B, 2012 Aggregate Data, 2012 and 2013 CRA LRs</i>						

<b>Table MN-18 – Small Farm Moderate-Income CT Penetration By AA</b>						
AA	2013 D&B	2012 Aggregate Data	2012 Bank		2013 Bank	
	%	%	#	%	#	%
Minneapolis-St. Paul-St. Cloud CSA	14.4	6.5	1	20.0	1	50.0
La Crosse MSA	0.0	0.0	0	0.0	0	0.0
Minnesota Non-MSA	2.7	2.5	6	2.9	15	5.9
<i>Source: 2013 D&amp;B, 2012 Aggregate Data, 2012 and 2013 CRA LRs</i>						

### HMDA Loans

The geographic distribution of HMDA loans reflects poor penetration throughout the Minnesota AAs. Table MN-19 on the following page indicates BOW's geographic distribution for HMDA loans throughout the Minnesota AAs. In 2012 and 2013 the bank had no low-income CT lending. In 2012 the bank's moderate-income CT lending was significantly below aggregate and showed a negative trend in 2013. The bank's poor lending is evidenced by the lack of LMI tracts in the Non-MSA AA, where its HMDA lending is concentrated.

Table MN-19 – HMDA Loan Geographic Distribution						
CT Income Level	Owner-Occupied Housing Units	2012 Aggregate Data	2012 Bank		2013 Bank	
	%	%	#	%	#	%
Low	2.2	1.8	0	0.0	0	0.0
Moderate	15.1	12.8	21	6.8	13	5.4
Middle	52.8	46.5	246	79.6	203	83.5
Upper	29.9	38.9	42	13.6	27	11.1
N/A	0.0	0.0	0	0.0	0	0.0
<b>Total</b>	<b>100.0</b>	<b>100.0</b>	<b>309</b>	<b>100.0</b>	<b>243</b>	<b>100.0</b>
<i>Source: 2010 U.S. Census, 2012 HMDA Aggregate Data, 2012 and 2013 HMDA LARs</i>						

Table MN-20 reflects that BOW has no loan penetration in low-income CTs in the CSA, this poor performance is somewhat mitigated by limited lending opportunities and increased competition in the area. Table MN-21 indicates BOW's HMDA loan penetration of moderate-income CTs in 2012 is significantly below aggregate data in the Minneapolis-St. Paul-St. Cloud CSA. The bank's 2013 performance in this area also shows no lending in 2013. The 2012 moderate-income lending in the Minnesota Non-MSA AA also shows performance that is below aggregate and on a decreasing trend in 2013.

Table MN-20 – HMDA Low-Income CT Penetration By AA						
AA	Owner-Occupied Housing Units	2012 Aggregate Data	2012 Bank		2013 Bank	
	%	%	#	%	#	%
Minneapolis-St. Paul-St. Cloud CSA	2.5	1.9	0	0.0	0	0.0
La Crosse MSA	0.0	0.0	0	0.0	0	0.0
Minnesota Non-MSA	0.0	0.0	0	0.0	0	0.0
<i>Source: 2010 U.S. Census, 2012 HMDA Aggregate Data, 2012 and 2013 HMDA LARs</i>						

Table MN-21 – HMDA Moderate-Income CT Penetration By AA						
AA	Owner-Occupied Housing Units	2012 Aggregate Data	2012 Bank		2013 Bank	
	%	%	#	%	#	%
Minneapolis-St. Paul-St. Cloud CSA	16.1	13.1	3	4.6	0	0.0
La Crosse MSA	0.0	0.0	0	0.0	0	0.0
Minnesota Non-MSA	9.2	9.2	18	8.3	13	6.8
<i>Source: 2010 U.S. Census, 2012 HMDA Aggregate Data, 2012 and 2013 HMDA LARs</i>						

### **Record of Serving the Credit Needs of Highly Economically Disadvantaged**

BOW exhibits a good record of serving the credit needs of the most economically disadvantaged areas of its Minnesota AAs, low-income individuals, and very small businesses, consistent with safe and sound banking practices.

#### **CD Loans**

BOW is a leader in making CD loans in the Minnesotan AA relative to its position as the 11th largest bank in the state, with a market share of 0.5 percent in an area with 414 institutions, the top 2 of which have a combined market share of over 69 percent. The bank originated 31 CD loans totaling \$121.8 million since the previous evaluation. This represents 4.4 percent of the total dollar volume of the bank's CD lending activity, which is more than the percentage of branches the bank operates in the AAs at 3.9 percent. As indicated in Table MN-22 on the following page, it shows that CD lending in Minnesota was concentrated in supporting the revitalization and/or stabilization of LMI tracts at 92.1 percent, with the remainder providing economic development of LMI areas at 6.1 percent, support for services to LMI individuals at 1.5, and affordable housing for LMI individuals at 0.3 percent. Notable among these loans is an \$18 million loan to finance the day-to-day operating needs of a company. This company is located in an underserved rural community whose almost 600 employees include a large number of LMI individuals.

Table MN-22 – CD Lending												
Assessment Area	Total		Affordable Housing		Community Services		Economic Development		Revitalization or Stabilization		Neighborhood Stabilization	
	#	\$ (000)	#	\$ (000)	#	\$ (000)	#	\$ (000)	#	\$ (000)	#	\$ (000)
<b>2011</b>												
Minneapolis-St. Paul-St. Cloud CSA	0	0	0	0	0	0	0	0	0	0	0	0
La Crosse MSA	0	0	0	0	0	0	0	0	0	0	0	0
Minnesota Non-MSA	7	26,500	0	0	0	0	0	0	7	26,500	0	0
<b>Total MN – 2011</b>	<b>7</b>	<b>26,500</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>7</b>	<b>26,500</b>	<b>0</b>	<b>0</b>
<b>2012</b>												
Minneapolis-St. Paul-St. Cloud CSA	2	4,584	0	0	0	0	1	1,084	1	3,500	0	0
La Crosse MSA	0	0	0	0	0	0	0	0	0	0	0	0
Minnesota Non-MSA	12	35,773	0	0	2	1,813	2	3,850	8	30,110	0	0
<b>Total MN – 2012</b>	<b>14</b>	<b>40,357</b>	<b>0</b>	<b>0</b>	<b>2</b>	<b>1,813</b>	<b>3</b>	<b>4,934</b>	<b>9</b>	<b>33,610</b>	<b>0</b>	<b>0</b>
<b>2013</b>												
Minneapolis-St. Paul-St. Cloud CSA	0	0	0	0	0	0	0	0	0	0	0	0
La Crosse MSA	0	0	0	0	0	0	0	0	0	0	0	0
Minnesota Non-MSA	10	54,980	1	330	0	0	1	2,500	8	52,150	0	0
<b>Total MN – 2013</b>	<b>10</b>	<b>54,980</b>	<b>1</b>	<b>330</b>	<b>0</b>	<b>0</b>	<b>1</b>	<b>2,500</b>	<b>8</b>	<b>52,150</b>	<b>0</b>	<b>0</b>
<b>Grand Total</b>	<b>31</b>	<b>121,837</b>	<b>1</b>	<b>330</b>	<b>2</b>	<b>1,813</b>	<b>4</b>	<b>7,434</b>	<b>24</b>	<b>112,260</b>	<b>0</b>	<b>0</b>
Source: Bank records												

## INVESTMENT TEST

BOW's Investment Test rating is High Satisfactory. The bank has a significant level of qualified CD investments and grants, occasionally in a leadership position, particularly those that are not routinely provided by private investors. BOW exhibits adequate responsiveness to credit and CD needs of the Minnesota AAs. The bank occasionally uses innovative and/or complex investments to support CD initiatives. The institution retains 4 qualified investments with a book value of approximately \$1.6 million that were carried over from the previous examination, has purchased 1 new qualified investment totaling \$1.2 million, and has provided 94 qualified donations totaling \$186,000 since the previous evaluation. This represents an increase of 43 percent by number and 409 percent increase by dollar amount of CD investment activity since the previous evaluation. Three of the investments carried over from the previous examination, which consist of LIHTCs, directly benefit the Minneapolis-St. Paul-St. Cloud CSA, while the fourth investment benefits Minnesota on a statewide basis. The qualified CD investment purchased by the bank



since the previous evaluation consists of a LIHTC that benefits the Minneapolis-St. Paul-St. Cloud CSA, where there is a greater opportunity for qualified investments. Table MN-23 depicts the bank's qualified investments and donations by investment type and category in Minnesota.

<b>Table MN-23 – CD Donations</b>												
<b>Assessment Area</b>	<b>Total</b>		<b>Affordable Housing</b>		<b>Community Services</b>		<b>Economic Development</b>		<b>Revitalization or Stabilization</b>		<b>Neighborhood Stabilization</b>	
	<b>#</b>	<b>\$ (000)</b>	<b>#</b>	<b>\$ (000)</b>	<b>#</b>	<b>\$ (000)</b>	<b>#</b>	<b>\$ (000)</b>	<b>#</b>	<b>\$ (000)</b>	<b>#</b>	<b>\$ (000)</b>
<b>2011</b>												
Minneapolis-St. Paul-St. Cloud CSA	10	15	2	2	7	11	0	0	1	2	0	0
La Crosse MSA	1	3	0	0	1	3	0	0	0	0	0	0
Minnesota Non-MSA	7	17	1	1	5	13	1	3	0	0	0	0
<b>Total MN - 2011</b>	<b>18</b>	<b>35</b>	<b>3</b>	<b>3</b>	<b>13</b>	<b>27</b>	<b>1</b>	<b>3</b>	<b>1</b>	<b>2</b>	<b>0</b>	<b>0</b>
<b>2012</b>												
Minneapolis-St. Paul-St. Cloud CSA	15	34	3	4	11	28	0	0	1	2	0	0
La Crosse MSA	3	3	0	0	3	3	0	0	0	0	0	0
Minnesota Non-MSA	22	42	3	5	16	32	3	5	0	0	0	0
<b>Total MN - 2012</b>	<b>40</b>	<b>79</b>	<b>6</b>	<b>9</b>	<b>30</b>	<b>63</b>	<b>3</b>	<b>5</b>	<b>1</b>	<b>2</b>	<b>0</b>	<b>0</b>
<b>2013</b>												
Minneapolis-St. Paul-St. Cloud CSA	10	25	3	12	7	13	0	0	0	0	0	0
La Crosse MSA	3	3	0	0	3	3	0	0	0	0	0	0
Minnesota Non-MSA	23	44	1	1	18	36	4	7	0	0	0	0
<b>Total MN – 2013</b>	<b>36</b>	<b>72</b>	<b>4</b>	<b>13</b>	<b>28</b>	<b>52</b>	<b>4</b>	<b>7</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Grand Total</b>	<b>94</b>	<b>186</b>	<b>13</b>	<b>25</b>	<b>71</b>	<b>142</b>	<b>8</b>	<b>15</b>	<b>2</b>	<b>4</b>	<b>0</b>	<b>0</b>
<i>Source: Bank records</i>												

Representative examples of donations made by BOW in Minnesota include:

- The bank provided a \$10,000 grant to support a nonprofit entity that is located in a low-income CT and whose mission to provide safe, affordable housing for individuals with low incomes, including seniors, those formerly homeless, veterans, and people living with disabilities. The average annual household income across all of this entity's housing communities is \$19,000 (the federal poverty guideline for a family of four is \$22,350).
- BOW donated \$5,000 to support a nonprofit entity that provides free income tax preparation to low-income individuals, families, and persons with disabilities. The organization is located in a low-income CT and assists clients in preparing and filing

income tax returns, and claiming the Earned Income Tax Credit for low-income working families.

## **SERVICE TEST**

BOW is rated Low Satisfactory in the Minnesota Service Test. Delivery systems are accessible to essentially all portions of the Minnesota AAs. BOW has not opened any branches in Minnesota over the review period; however, the institution closed three full-service branches within the AAs over the review period. Services do not vary in a way that inconveniences portions of the AA, particularly LMI geographies.

### **Reasonableness of Business Hours and Services**

Services do not vary in a way that inconveniences certain portions of the AA, particularly LMI geographies or individuals. Business hours vary but not in a manner that inconveniences LMI areas. BOW operates 23 branches in Minnesota, which includes a limited service location in Minneapolis. The limited service branch is located in a moderate-income CT. While it is a drive-up location only, any service differences are not relevant given that a full service branch is a short distance away.

### **Accessibility of Delivery Systems**

Delivery systems are accessible to essentially all portions of the Minnesota AAs. BOW operates 22 full-service branches and 1 limited-service branch in the combined Minnesota AAs. Table MN-24 on the following page reflects the branch structure in the same manner as presented in previous states. BOW adequately penetrates LMI areas with its branches when viewed from a statewide perspective. Although BOW does not have any low-income tract branches, it does have 17.4 percent of its branches located in moderate-income areas. Competing institutions operate 3.5 percent of their branches in low-income tracts and 20.8 percent in moderate-income tracts. However, when comparing ratios to the previous evaluation, the penetration ratio has increased. In the previous evaluation, 4.0 percent of BOW branches were located in LMI areas versus competing institutions that operated 14.6 percent of their branches in LMI tracts. In addition, performance by AA differs substantially and AA dynamics must be considered in forming the overall conclusion. With 22 full-service branches and 1 limited-service office, a significant majority of the branch structure is located in the Non-MSA area where no low-income and limited moderate-income tracts exist. Table MN-25 on the following page presents the LMI tract penetration rates compared to the competition for each AA.

In the Non-MSA area where BOW operates a significant majority of its branches, the bank covers the moderate-income tracts in an excellent manner. As Table MN-25 indicates, all other banks only operate 17.2 percent of their branches in the Non-MSA AA within moderate-income areas, compared to 25.0 percent for BOW. Furthermore, the only area in the bank's statewide AA containing low-income tracts is the Minneapolis-St. Paul-Bloomington MSA. Also, few moderate-income tracts exist in the statewide AA and are contained within the Non-MSA area, with one moderate-income tract contained in the St. Cloud MSA.

BOW does not penetrate LMI areas with branches to a reasonable degree in the Minneapolis-St. Paul-Bloomington MSA when compared to the competition, household, family, and business demographics of the AA. BOW operates no full-service branches in LMI geographies in the Minneapolis-St. Paul-Bloomington MSA.

**Table MN-24 – Branch Structure**

Branch and ATM Distribution	CT Income Level					
	Low	Moderate	Middle	Upper	N/A	Total
Number of Branches as of March 3, 2014	0	4	16	3	0	23
Percentage of Branches	0.0	17.4	69.6	13.0	0.0	100.0
Number of ATMs as of March 3, 2014	0	4	14	2	0	20
Percentage of ATMs	0.0	20.0	70.0	10.0	0.0	100.0
<b>Comparisons</b>						
Percentage of Branches - All Institutions	3.5	20.8	53.0	22.7	0.0	100.0
Percentage of Households	5.7	19.6	49.0	25.7	0.0	100.0
Percentage of Families	4.1	16.8	50.4	28.7	0.0	100.0
Percentage of Businesses	4.0	17.2	47.0	31.8	0.0	100.0

*Source: Bank records, 2010 U.S. Census, and 2013 D&B*

Overall, the branch distribution is reasonable from a statewide perspective. When viewed AA by AA, excellent performance is evident in the Non-MSA AA where most of the branches are located. Weaker performance is evident in Minneapolis area where fewer branches are located.

**Table MN-25 – LMI CT Branch Distribution**

AA	Low-Income CTs		Moderate-Income CTs	
	Bank (%)	Aggregate (%)	Bank (%)	Aggregate (%)
Minneapolis-St. Paul-St. Cloud CSA	0.0	4.5	0.0	22.1
La Crosse MSA	0.0	0.0	0.0	0.0
Minnesota Non-MSA	0.0	0.0	25.0	17.2

*Source: Bank records, 2012 Peer Deposit Data*

Delivery system accessibility varies by AA. In the Non-MSA AA where BOW operates 16 branches, no other institution offers a more comprehensive branch structure, and delivery systems are readily accessible to all portions of the area. In the La Crosse MSA, BOW only operates a single branch, but it is centralized within the county and delivery systems are reasonably accessible to all portions of the AA. In the Minneapolis MSA, delivery systems are accessible to limited portions of the AA, because BOW does not operate a full-service branch in Hennepin County, which contains the City of Minneapolis and is the primary population center. Furthermore, in Carver County, the single BOW branch is located on the eastern side of the county.

### **Changes in Branch Locations**

BOW closed four branches in the Minnesota AAs since the previous evaluation. In January 2013, BOW closed one full-service location in each of the counties of Anoka (upper-income CT), Clay

(middle-income CT), Dakota (middle-income CT), and Stearns (middle-income CT). To the extent changes have been made, the bank's closing of these branches has no adverse effect on the accessibility of its delivery systems, particularly in LMI geographies.

### **CD Services**

BOW provided an adequate level of CD services in Minnesota as depicted in Table MN-26. Over the review period, bank personnel provided 31 services for a total of 111 hours of qualified CD services. When compared to a peer institution with branches in similar AAs, BOW's level of CD services mirrors peer.

<b>Table MN-26 – CD Services</b>												
<b>Assessment Area</b>	<b>Total</b>		<b>Affordable Housing</b>		<b>Community Services</b>		<b>Economic Development</b>		<b>Revitalization or Stabilization</b>		<b>Neighborhood Stabilization</b>	
	<b>#</b>	<b>Hours</b>	<b>#</b>	<b>Hours</b>	<b>#</b>	<b>Hours</b>	<b>#</b>	<b>Hours</b>	<b>#</b>	<b>Hours</b>	<b>#</b>	<b>Hours</b>
<b>2011</b>												
Minneapolis-St. Paul-St. Cloud CSA	0	0	0	0	0	0	0	0	0	0	0	0
La Crosse MSA	0	0	0	0	0	0	0	0	0	0	0	0
Minnesota Non-MSA	3	41	0	0	2	29	1	12	0	0	0	0
<b>Total MN - 2011</b>	<b>3</b>	<b>41</b>	<b>0</b>	<b>0</b>	<b>2</b>	<b>29</b>	<b>1</b>	<b>12</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>2012</b>												
Minneapolis-St. Paul-St. Cloud CSA	0	0	0	0	0	0	0	0	0	0	0	0
La Crosse MSA	0	0	0	0	0	0	0	0	0	0	0	0
Minnesota Non-MSA	15	28	2	4	6	11	7	13	0	0	0	0
<b>Total MN - 2012</b>	<b>15</b>	<b>28</b>	<b>2</b>	<b>4</b>	<b>6</b>	<b>11</b>	<b>7</b>	<b>13</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>2013</b>												
Minneapolis-St. Paul-St. Cloud CSA	2	5	0	0	2	5	0	0	0	0	0	0
La Crosse MSA	0	0	0	0	0	0	0	0	0	0	0	0
Minnesota Non-MSA	11	37	0	0	2	18	9	19	0	0	0	0
<b>Total MN - 2013</b>	<b>13</b>	<b>42</b>	<b>0</b>	<b>0</b>	<b>4</b>	<b>23</b>	<b>9</b>	<b>19</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Grand Total</b>	<b>31</b>	<b>111</b>	<b>2</b>	<b>4</b>	<b>12</b>	<b>63</b>	<b>17</b>	<b>44</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<i>Source: Bank records</i>												

Representative examples of qualified services provided by bank employees are highlighted below:

- BOW staff serves on the board of an organization that offers assistance to entrepreneurs contemplating starting a new business or relocating a business to the area. The organization also assists entrepreneurs in various ways to establish or build small businesses within the community, as well as assisting individuals with housing needs throughout the community.
- A bank employee serves on a committee for an organization that serves as a local testing ground for antipoverty initiative in southwest Minnesota. The organization focuses on meeting the basic needs of providing food and clothing; emergency housing assistance; medical needs; education and mentoring for children, youth, and families; transportation services; and also providing affordable, warm, and stable housing for area individuals needing assistance.

## MINNESOTA NON-MSA FULL-SCOPE EVALUATION

### SCOPE OF EXAMINATION

Examiners conducted a full-scope, off-site review of the institution's performance in the Minnesota Non-MSA AA. This section of the evaluation represents a more in-depth borrower profile and geographic distribution review of loans originated than illustrated in the statewide AA analysis.

### DESCRIPTION OF THE MINNESOTA NON-MSA ASSESSMENT AREA

The counties that comprise this AA are detailed in the statewide description. Table MN-27 reflects the demographics of the AA.

<b>Table MN-27 – Demographic Information for Minnesota Non-MSA AA</b>						
<b>Demographic Characteristics</b>	<b>#</b>	<b>Low % of #</b>	<b>Moderate % of #</b>	<b>Middle % of #</b>	<b>Upper % of #</b>	<b>NA % of #</b>
CTs	70	0.0	10.0	85.7	4.3	0.0
Population by CT Income Level	228,964	0.0	11.3	83.2	5.5	0.0
Owner-Occupied Housing Units by CT Income Level	73,229	0.0	9.1	86.0	4.9	0.0
Businesses by CT Income Level	21,900	0.0	12.5	82.4	5.1	0.0
Families by Income Level	62,787	19.8	19.4	23.6	37.2	0.0
Families by CT Income Level	62,787	0.0	10.4	84.6	5.0	0.0
Median Family Income		58,135				
HUD Adjusted Median Family Income for 2013		61,700	Median Housing Value		133,761	
Households Below Poverty Level		13.0%				
<i>Source: 2010 U.S. Census Data, 2013 D&amp;B Data</i>						

## PERFORMANCE TEST CONCLUSIONS

### LENDING TEST

A more in-depth borrower profile and geographic distribution review of loans originated in the Minnesota Non-MSA AA is presented below. Other Lending Test criteria are fully described in the Lending Test section of the statewide performance test conclusions. More weight is given to small farm and small business lending for determining this conclusion. Data supporting the ratings are presented in the statewide performance test conclusions section.

#### **Borrower's Profile**

BOW's overall distribution of borrowers reflects, given the product lines offered by the institution, excellent penetration among retail customers of different income levels and business customers of different revenue sizes.

#### **Small Business Loans**

BOW's distribution of borrowers reflects excellent penetration among business customers of different revenue sizes in the Minnesota Non-MSA AA. BOW's 2012 penetration to businesses with GARs of \$1 million or less of 76.2 percent significantly exceeds aggregate of 32.7 percent. In 2013, the bank's performance trended upwards to 79.2 percent and exceeded the D&B demographics of 74.3 percent.

#### **Small Farm Loans**

The distribution of borrowers reflects excellent penetration among small farm customers of different sizes in the Minnesota Non-MSA AA. In 2012, BOW's loan penetration to small farms with GARs of \$1 million or less of 69.5 percent significantly exceeds the aggregate performance of 46.8 percent. In 2013, the bank's performance trended upward to 76.9 percent, but was below the D&B data of 99.2 percent.

#### **HMDA Loans**

BOW's distribution of borrowers reflects good penetration among retail customers of different income levels in the Minnesota Non-MSA AA. BOW's 2012 penetration of 12.4 percent to low-income borrowers exceeds the aggregate of 6.9 percent, but lags demographics of 19.8 percent. The bank's 2012 penetration of 17.9 percent to moderate-income borrowers is slightly above the aggregate of 17.2 percent and the demographics of 19.4 percent. In 2013, the bank's performance remained relatively unchanged to low-income borrowers, and showed a significant upward trend to moderate-income borrowers, which is consistent with the statewide performance.

## **Geographic Distribution**

The geographic distribution of loans reflects good penetration throughout the Minnesota Non-MSA AA.

### **Small Business Loans**

The geographic distribution of small business loans reflects good penetration throughout the Minnesota Non-MSA AA. The institution's penetration in low-income CTs was not considered, as there are no low-income CTs within the Non-MSA AA. However, the 2012 performance of 15.6 percent in the moderate-income CTs exceeds aggregate data of 11.0 percent. In 2013, the moderate-income CT penetration rates trended downward to 11.3 percent, and are slightly below the D&B data of 12.5 percent, which is generally consistent with the statewide performance.

### **Small Farm Loans**

The geographic distribution of small farm loans reflects good penetration throughout the Minnesota Non-MSA AA. The performance in low-income CTs was not considered, as there are no low-income CTs within the AA. In 2012, the bank's penetration of moderate-income CTs of 2.9 percent is comparable to aggregate of 2.5 percent. In 2013, the moderate-income CT penetration rates trended upward to 5.9 percent, and exceed the D&B data of 2.7 percent, which is generally consistent with the statewide performance.

### **HMDA Loans**

The geographic distribution of residential loans reflects adequate penetration throughout the Minnesota Non-MSA AA. BOW's 2012 penetration in low-income CTs was not considered, as there are no low-income CTs within the AA. The performance of 8.3 percent in the moderate-income CTs is slightly less than aggregate data of 9.2 percent. In 2013, the moderate-income CT penetration rates trended downward to 6.8 percent and are below the demographic data of 9.2 percent, which is consistent with statewide performance.

## **INVESTMENT TEST**

BOW's Investment Test performance in this AA is consistent with the institution's Investment Test performance in the state.

## **SERVICE TEST**

BOW's Service Test performance in this AA is consistent with the institution's Service Test performance in the state.

## **Limited-Scope AA Evaluations**

Data applicable to the limited-scope AAs indicates that performance is consistent with the institution's performance in the state. Demographic data regarding limited-scope AAs is located in Appendix F.



# OREGON

*The Lending Test is rated:*                      *Outstanding*  
*The Investment Test is rated:*                *High Satisfactory*  
*The Service Test is rated:*                    *Low Satisfactory*

BOW's Oregon CRA Rating is **Satisfactory**.

## SCOPE OF EXAMINATION AND DESCRIPTION OF OPERATIONS

Examiners conducted a full-scope, off-site evaluation of the bank's performance in the Portland MSA and off-site limited-scope reviews of other AAs in Oregon. A review of FDIC records and the bank's CRA public file revealed no CRA complaints since the previous evaluation in this area. Refer to the Service Test portion of this evaluation for details regarding BOW's delivery systems and any changes that occurred over the review period.

The single Salem MSA branch in Marion County closed January 27, 2014, after the loan data date of this examination. Therefore, Marion County loans are included in Oregon HMDA and CRA loan data for 2012 and 2013, but not included in branch totals which reflect the evaluation date of March 3, 2014. Since the Salem MSA AA is no longer part of the bank's AAs at the evaluation date, no Salem MSA rating is provided. Data and limited-scope review data is provided for informational purposes only.

## DESCRIPTION OF THE OREGON ASSESSMENT AREA

The Oregon AA is comprised of two AAs. The bulk of the Oregon branches and lending occurs in four counties within the Portland MSA. The bank also has branches in five rural counties collectively referred to as the Oregon Non-MSA AA.

All AA's summarized below are comprised of entire geographies and counties. Table OR-1 provides the details the counties that comprise the Washington AAs.

<b>Table OR-1 – AA Composition, Branches, and ATMs</b>					
<b>AA</b>	<b>MSA or MD</b>	<b>MSA or MD #</b>	<b>Counties</b>	<b>Branches</b>	<b>ATMs</b>
Portland MSA	Portland-Vancouver-Hillsboro, OR-WA MSA	38900	Clackamas, Columbia, Multnomah, Washington, OR	18	19
Oregon Non-MSA	N/A	99999	Lincoln, Malheur, Umatilla, Wasco, Jefferson	8	8
<b>Statewide</b>			<b>Total Branches/ATMs</b>	<b>26</b>	<b>27</b>
<i>Source: Bank records</i>					

Table OR-2 details the demographics of the statewide Oregon AAs.

Table OR-2 – Demographic Information						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA % of #
CTs	478	2.1	21.3	49.4	26.4	0.8
Population by CT Income Level	2,205,891	2.0	22.7	49.3	26.0	0.0
Owner-Occupied Housing Units by CT Income Level	526,453	1.0	16.7	51.4	30.9	0.0
Businesses by CT Income Level	245,408	4.0	20.6	45.4	29.9	0.1
Families by Income Level	532,274	20.5	17.7	20.9	40.9	0.0
Families by CT Income Level	532,274	1.6	20.4	49.7	28.3	0.0
Median Family Income		\$65,275	Median Housing Value		\$288,784	
HUD Adjusted Median Family Income for 2013		\$64,730				
Households Below Poverty Level		12.1%				
Source: 2010 U.S. Census Data, 2013 D&B Data						

According to the Moody's Analytics December 2013 economic data, Oregon's recovery is ahead of the nation's recovery. Oregon's employment growth rank is 10<sup>th</sup> and the economic vitality index is 120 percent (national average = 100 percent). Most industries are expanding, especially construction, leisure, manufacturing, and healthcare, but financial services are weakening. The largest employers in the state include three healthcare related entities (Providence Health System, Oregon Health & Science University, and Legacy Health System), a technology company (Intel), and a retail company (Fred Meyer Stores). As of December 31, 2013, the unemployment rate stood at 8.0 percent, compared to a high of 9.6 percent in 2011. Oregon's housing has demonstrated steady growth as demand has driven-up housing prices. The Housing Price Index increased 7.2 percent in Oregon in 2013, after a flat 2012.

### Community Contact Observations

Two previously conducted community contacts were reviewed. A contact stated that the economic situation in the City of Portland remains very challenging for LMI individuals. This same contact stated that median family incomes declined and demand for affordable housing has significantly increased since the recession. Furthermore, the contact stated the affordable housing demand is at its highest level in years, while the supply is dwindling. Additionally, the same contact stated that the rental market has tightened and rents have increased. Lastly, the contact stated there are few new multi-family projects with affordable housing units. This has caused limited CD opportunities for local financial institutions and organizations that target housing needs for LMI individuals. Another contact mentioned that there are investment opportunities for local financial institutions. BOW was specifically mentioned by both of the contacts as an institution that has worked with these separate organizations to promote CD. Overall, examiners determined that the primary credit needs are home mortgage loans for LMI individuals and affordable housing-related CD investments and loans.

## STATEWIDE PERFORMANCE TEST CONCLUSIONS

### LENDING TEST

BOW's Lending Test performance is rated Outstanding. Small business and residential mortgage lending received equal weighting in assessing overall lending performance based on loan volumes.

#### Lending Activity

Overall, BOW's lending levels reflect excellent responsiveness to AA credit needs. Examiners reviewed the number and dollar volume of loans originated over the review period, as well as market share and market ranking figures for primary loan products to determine the bank's level of lending relative to AA credit needs.

In 2012 and 2013, the bank originated 907 small business loans totaling \$136.6 million in Oregon, compared to 547 residential mortgages totaling \$140.4 million, and 42 small farm loans totaling \$7.6 million.

#### Small Business Loans

Table OR-3 details BOW's loan market ranking and market shares during 2012 by loan type in the Oregon AA.

Table OR-3 – Small Business Loan and Deposit Market Shares			
AA	2012		Deposit Market Share %
	Rank (\$)	Market Share %	
All Oregon AAs Combined	10 of 89	3.3	2.9
Portland MSA	10 of 85	3.4	2.9
Salem MSA	13 of 48	2.5	0.2
Oregon Non-MSA	9 of 39	3.1	6.9
Source: 2012 Aggregate Data and June 2013 FDIC Summary of Deposits			

Table OR-3 reflects the strong level of lending by BOW as small business loan market shares are higher than deposit market shares for Oregon AAs. Although the Oregon Non-MSA AA has a lower small business lending market share than deposit market share, BOW is an active residential lender in these counties, as reflected by the higher market share percentage noted in Table OR-4 on the following page.

## HMDA Loans

Table OR-4 – HMDA Loan Market Share		
AA	2012	
	Rank (#)	Market Share %
All Oregon AAs Combined	59 of 490	0.2
Portland MSA	62 of 454	0.2
Salem MSA	94 of 277	0.1
Oregon Non-MSA	18 of 255	0.9
Source: 2012 HMDA Aggregate Data		

## Small Farm Loans

BOW is not an active farm lender with only 42 small farm loans totaling \$7.6 million originated in 2012 and 2013, or less than 2.8 percent of all BOW-reportable loans by number and 4.1 percent by dollar volume. In 2012, BOW had a small farm lending volume of \$4.8 million and ranked 7<sup>th</sup> of 29 banks in Oregon, and 3<sup>rd</sup> of 20 banks in the Portland MSA. However, the Portland MSA is a very small farm lending market as the area is primarily urban. To ensure brevity in presentation, small farm lending tables are not presented. Small farm lending data was reviewed and found to be consistent with small business lending geographic distributions and borrower profiles.

## Borrower Profile

The distribution of borrowers in Oregon reflects, given the product lines offered by the institution, excellent penetration among retail customers of different income levels and business customers of different sizes.

## Small Business Loans

Table OR-5 reflects BOW's excellent distribution of small business loans by GAR in all Oregon AAs combined. The 2012 lending to small business with GAR of \$1 million or less of 60.0 percent is excellent with the bank significantly exceeding aggregate lending of 38.0 percent. In 2013, the bank's lending remained relatively unchanged with a slight downward trend. Although BOW's 2013 lending levels are lower than the D&B data, it is important to note that D&B data includes all businesses regardless of borrowing intent or ability.

Table OR-5 – Small Business Loan Borrower Profile						
GARs	2013 D&B	2012 Aggregate Data	2012 Bank		2013 Bank	
	%	%	#	%	#	%
≤ \$1 Million	70.7	38.0	246	60.0	285	57.3
> \$1 Million	3.6		154	37.6	200	40.3
Not Reported	25.7		10	2.4	12	2.4
<b>Total</b>	<b>100.0</b>		<b>410</b>	<b>100.0</b>	<b>497</b>	<b>100.0</b>
Source: 2013 D&B Data, 2012 CRA Aggregate Data, 2012 and 2013 CRA LRs						

Table OR-6 shows the level of BOW's lending to small businesses with GAR of \$1 million or less for each AA, compared to aggregate lending data and D&B data.

Table OR-6 – Small Business Penetration Rate By AA						
AA	2013 D&B	2012 Aggregate Data	2012 Bank		2013 Bank	
	%	%	#	%	#	%
Portland MSA	70.3	39.5	202	58.4	252	56.9
Salem MSA	71.5	27.8	9	47.4	2	18.2
Oregon Non-MSA	73.7	41.4	35	77.8	31	72.1
Source: 2013 D&B, 2012 Aggregate Data, 2012 and 2013 CRA LRs						

Table OR-6 reflects the bank's strong penetration in all AAs. BOW's lending levels are significantly higher than the aggregate lending in both the Portland MSA and Non-MSA AAs.

### HMDA Loans

The distribution of borrowers reflects good penetration among retail customers of different income levels.

Table OR-7 on the following page shows BOW's distribution of HMDA loans by borrower income in all Oregon AAs combined.

Table OR-7 – HMDA Loan Borrower Profile						
Borrower Income Level	2010 Census Families	2012 Aggregate Data	2012 Bank		2013 Bank	
	%	%	#	%	#	%
Low	20.5	6.3	21	7.9	19	6.8
Moderate	17.7	16.3	54	20.3	45	16.0
Middle	20.9	22.6	55	20.7	58	20.6
Upper	40.9	41.9	97	36.5	120	42.7
Not Reported	0.0	12.9	39	14.6	39	13.9
<b>Total</b>	<b>100.0</b>	<b>100.0</b>	<b>266</b>	<b>100.0</b>	<b>281</b>	<b>100.0</b>
<i>Source: 2010 U.S. Census, 2012 Aggregate Data, and 2012, 2013 HMDA LARs</i>						

Table OR-7 indicates that BOW's 2012 lending to LMI borrowers are higher than respective aggregate lending data. In 2013, BOW's level of lending to LMI borrowers declined and is below the demographic data.

Table OR-8 provides further detail into the level of BOW's loans made to low-income borrowers across each AA. Table OR-9 provides further detail into the level of BOW loans made to moderate-income borrowers across each AA.

Table OR-8 – Low-Income Borrower Penetration Rate By AA						
AA	2010 Census Families	2012 Aggregate Data	2012 Bank		2013 Bank	
	%	%	#	%	#	%
Portland MSA	20.5	6.4	10	5.4	10	4.8
Salem MSA	20.8	6.1	0	0.0	0	0.0
Oregon Non-MSA	20.3	4.7	11	15.5	9	14.3
<i>Source: 2010 U.S. Census, 2012 Aggregate Data, and 2012, 2013 HMDA LARs</i>						

Table OR-9 – Moderate-Income Borrower Penetration Rate By AA						
AA	2010 Census Families	2012 Aggregate Data	2012 Bank		2013 Bank	
	%	%	#	%	#	%
Portland MSA	17.3	16.2	36	19.5	37	17.6
Salem MSA	19.5	17.5	3	30.0	0	0.0
Oregon Non-MSA	17.9	15.4	15	21.1	8	12.7
<i>Source: 2010 U.S. Census, 2012 HMDA Aggregate Data, 2012 and 2013 HMDA LARs</i>						

Table OR-8 reveals that lending to low-income borrowers in Oregon Non-MSA areas is the strength of BOW's lending performance, as the bank has achieved low-income borrower lending levels significantly exceeding aggregate lending levels. The Portland MSA lending to low-

income individuals is slightly below aggregated in 2012 and on a decreasing trend in 2013. This lower lending is reflective of the higher housing costs in the Portland MSA. Table OR-9 reflects generally good lending levels to moderate-income borrowers across each AA, compared to applicable aggregate and census data.

### **Geographic Distribution**

BOW's geographic distribution of loans reflects excellent penetration throughout Oregon.

### **Small Business Loans**

Table OR-10 shows the distribution of small business loans by the income category of CTs within all Oregon AAs.

<b>Table OR-10 – Small Business Loan Geographic Distribution</b>						
<b>CT Income Level</b>	<b>2013 D&amp;B</b>	<b>2012 Aggregate Data</b>	<b>2012 Bank</b>		<b>2013 Bank</b>	
	<b>%</b>	<b>%</b>	<b>#</b>	<b>%</b>	<b>#</b>	<b>%</b>
Low	4.0	3.3	24	5.8	32	6.4
Moderate	20.6	18.6	88	21.5	103	20.7
Middle	45.4	43.0	191	46.6	234	47.1
Upper	29.9	29.4	107	26.1	128	25.8
N/A	0.1	5.7	0	0.0	0	0.0
<b>Total</b>	<b>100.0</b>	<b>100.0</b>	<b>410</b>	<b>100.0</b>	<b>497</b>	<b>100.0</b>
<i>Source: 2013 D&amp;B, 2012 CRA Aggregate Data, 2012 and 2013 CRA LRs</i>						

The geographic distribution of small business loans reflects excellent penetration throughout the Oregon AAs. In 2012, BOW's small business lending market in LMI areas exceeded aggregate data. In 2013, the bank's lending in LMI areas reflects an increasing trend in low-income tracts, with a slight decline in moderate-income tracts. The 2013 LMI lending was either above or similar to the D&B data.

Tables OR-11 and OR-12 on the following page show the percentage of businesses identified by D&B, aggregate 2012 lending levels, and BOW's lending levels for 2012 and 2013 for LMI CTs in each AA.

**Table OR-11 – Small Business Low-Income CT Penetration By AA**

AA	2013 D&B	2012 Aggregate Data	2012 Bank		2013 Bank	
	%	%	#	%	#	%
Portland MSA	4.9	4.1	24	6.9	32	7.2
Salem MSA	0.0	0.0	0	0.0	0	0
Oregon Non-MSA	0.0	0.0	0	0.0	0	0
<i>Source: 2013 D&amp;B, 2012 CRA Aggregate Data, 2012 and 2013 CRA LRs</i>						

**Table OR-12 – Small Business Moderate-Income CT Penetration By AA**

AA	2013 D&B	2012 Aggregate Data	2012 Bank		2013 Bank	
	%	%	#	%	#	%
Portland MSA	21.0	19.6	73	21.1	100	22.6
Salem MSA	24.3	17.9	9	47.4	0	0.0
Oregon Non-MSA	8.6	7.7	6	13.3	3	7.0
<i>Source: 2013 D&amp;B, 2012 CRA Aggregate Data, 2012 and 2013 CRA LRs</i>						

The Oregon Non-MSA AA has no low-income areas and the focus was on the bank's lending in moderate-income areas. BOW's low-income CT lending in the Portland MSA is strong. BOW's 2012 moderate-income CT lending in all three MSA is strong, but only the Portland MSA showed an increasing trending in 2013.

#### HMDA Loans

The geographic distribution of HMDA loans reflects good penetration throughout the Oregon AA. Table OR-13 shows BOW's geographic distribution of HMDA loans, compared to aggregate lending and owner-occupied housing units.

**Table OR-13 – HMDA Loan Geographic Distribution**

CT Income Level	Owner-Occupied Housing Units	2012 Aggregate Data	2012 Bank		2013 Bank	
	%	%	#	%	#	%
Low	1.0	1.1	7	2.6	6	2.1
Moderate	16.7	14.7	36	13.5	50	17.8
Middle	51.4	47.2	147	55.3	136	48.4
Upper	30.9	37.0	76	28.6	89	31.7
N/A	0.0	0.0	0	0.0	0	0.0
<b>Total</b>	<b>100.0</b>	<b>100.0</b>	<b>266</b>	<b>100.0</b>	<b>281</b>	<b>100.0</b>
<i>Source: 2010 U.S. Census, 2012 Aggregate Data, and 2012,2013 HMDA LARs</i>						

The geographic distribution of HMDA loans reflects good penetration throughout the Oregon



AAs. In 2012, BOW's HMDA lending in low-income CTs exceeded the aggregate data, but in the moderate-income CTs, the bank's lending was comparable or slightly below aggregate. In 2013, the bank's lending in low-income CTs remained fairly stable, while the bank's moderate-income lending showed a larger increase.

Tables OR-14 and OR-15 provide further detail on the level of BOW lending in LMI areas for each AA compared to owner-occupied housing units and aggregate lending levels.

<b>Table OR-14 – HMDA Low-Income CT Penetration By AA</b>						
AA	Owner-Occupied Housing Units	2012 Aggregate Data	2012 Bank		2013 Bank	
	%	%	#	%	#	%
Portland MSA	1.3	1.2	7	3.8	6	2.9
Salem MSA	0.0	0.0	0	0.0	0	0.0
Oregon Non-MSA	0.0	0.0	0	0.0	0	0.0
<i>Source: 2010 U.S. Census Data, 2012 Aggregate Data, and 2012,2013 HMDA LARs</i>						

<b>Table OR-15 – HMDA Moderate-Income CT Penetration By AA</b>						
AA	Owner-Occupied Housing Units	2012 Aggregate Data	2012 Bank		2013 Bank	
	%	%	#	%	#	%
Portland MSA	18.3	15.4	30	16.2	44	21.0
Salem MSA	14.6	13.0	3	30.0	1	12.5
Oregon Non-MSA	6.5	5.3	3	4.2	5	7.9
<i>Source: 2010 U.S. Census Data, 2012 Aggregate Data, and 2012,2013 HMDA LARs</i>						

The Oregon Non-MSA AA does not have any low-income CTs so an analysis of this AA focuses on moderate-income CTs. Tables OR-14 and OR-15 reflect good penetration in the Salem and Portland LMI areas and adequate penetration into Oregon Non-MSA LMI areas. These lending levels have increase from the previous evaluation when BOW's performance significantly lagged aggregate lending levels.

### **Record of Serving the Credit Needs of Highly Economically Disadvantaged**

BOW exhibits a good record of serving the credit needs of the most economically disadvantaged areas of its Oregon AAs, low-income individuals, and very small businesses, consistent with safe and sound banking practices.

### **CD Loans**

BOW is a leader in making CD loans in Oregon. The \$182.8 million in CD loans originated by BOW increased significantly from previous evaluation when \$55.3 million in CD loans were

originated. The level of CD lending reflects well against other institutions in Oregon, given BOW's market presence of 26 branches and 2.9 percent deposit market share.

Table OR-16 illustrates number, type, and location of CD loans originated since the previous evaluation.

<b>Table OR-16 – CD Lending</b>												
<b>Assessment Area</b>	<b>Total</b>		<b>Affordable Housing</b>		<b>Community Services</b>		<b>Economic Development</b>		<b>Revitalization or Stabilization</b>		<b>Neighborhood Stabilization</b>	
	<b>#</b>	<b>\$ (000)</b>	<b>#</b>	<b>\$(000)</b>	<b>#</b>	<b>\$(000)</b>	<b>#</b>	<b>\$(000)</b>	<b>#</b>	<b>\$(000)</b>	<b>#</b>	<b>\$(000)</b>
<b>2011</b>												
Portland MSA	6	42,095	0	0	2	4,345	0	0	4	37,750	0	0
Salem MSA	0	0	0	0	0	0	0	0	0	0	0	0
Oregon Non-MSA	1	3,500	0	0	0	0	0	0	1	3,500	0	0
<b>Total OR – 2011</b>	<b>7</b>	<b>45,595</b>	<b>0</b>	<b>0</b>	<b>2</b>	<b>4,345</b>	<b>0</b>	<b>0</b>	<b>5</b>	<b>41,250</b>	<b>0</b>	<b>0</b>
<b>2012</b>												
Portland MSA	20	78,781	1	1,103	3	4,272	3	4,956	13	68,450	0	0
Salem MSA	0	0	0	0	0	0	0	0	0	0	0	0
Oregon Non-MSA	0	0	0	0	0	0	0	0	0	0	0	0
<b>Total OR – 2012</b>	<b>20</b>	<b>78,781</b>	<b>1</b>	<b>1,103</b>	<b>3</b>	<b>4,272</b>	<b>3</b>	<b>4,956</b>	<b>13</b>	<b>68,450</b>	<b>0</b>	<b>0</b>
<b>2013</b>												
Portland MSA	0	0	1	1,534	1	75	3	6,650	8	50,120	0	0
Salem MSA	0	0	0	0	0	0	0	0	0	0	0	0
Oregon Non-MSA	0	0	0	0	0	0	0	0	0	0	0	0
<b>Total OR – 2013</b>	<b>13</b>	<b>58,379</b>	<b>1</b>	<b>1,534</b>	<b>1</b>	<b>75</b>	<b>3</b>	<b>6,650</b>	<b>8</b>	<b>50,120</b>	<b>0</b>	<b>0</b>
<b>Grand Total</b>	<b>40</b>	<b>182,755</b>	<b>2</b>	<b>2,637</b>	<b>6</b>	<b>8,692</b>	<b>6</b>	<b>11,606</b>	<b>26</b>	<b>159,820</b>	<b>0</b>	<b>0</b>
<i>Source: Bank records</i>												

The following CD loans provide a representative example of the CD loans originated by BOW since the previous evaluation:

- BOW originated a \$20 million line of credit to support a company involved in the processing and transportation of northwest farm products. The company is located within Portland's South Park Urban Renewal Area. The line of credit supports job creation and retention within the Portland MSA, as well as Pacific Northwest farmers.
- BOW originated a \$3.5 million line of credit to a manufacturer located in the Dalles/Wasco Enterprise Zone and the Gateway Urban Renewal Area, which are in the Oregon Non-MSA AA. The line provides job creation and retention for a manufacturing plant with 60 employees in an area of high unemployment.

## INVESTMENT TEST

BOW's Investment Test rating is High Satisfactory. The bank has a significant level of qualified CD investments and grants, occasionally in a leadership position, particularly those that are not routinely provided by private investors. BOW exhibits a good responsiveness to credit and

community economic needs of Oregon. The bank makes significant use of innovative or complex investments to support CD initiatives.

BOW holds 6 qualified investments purchased prior to the previous evaluation, with a current book value of \$5.7 million, and purchased 1 new qualifying investment during the evaluation period totaling \$7.4 million. All 7 investments totaling \$13.1 million are affordable housing investments, compared to a total of \$8.0 million in investments at the last evaluation. Qualifying investments include all Oregon AAs, with most investments representing LIHTC equity funds that invest in affordable housing projects across the state, a specific CD need noted by a community contact.

The bank reported a significant increase in donations and grants from the \$128,000 reported at the previous evaluation, despite a lower number of branches in Oregon at this evaluation. Table OR-17 provides further detail on the type and location of CD donations and grants.

<b>Table OR-17 – CD Donations</b>												
<b>Assessment Area</b>	<b>Total</b>		<b>Affordable Housing</b>		<b>Community Services</b>		<b>Economic Development</b>		<b>Revitalization or Stabilization</b>		<b>Neighborhood Stabilization</b>	
	<b>#</b>	<b>\$ (000)</b>	<b>#</b>	<b>\$ (000)</b>	<b>#</b>	<b>\$ (000)</b>	<b>#</b>	<b>\$ (000)</b>	<b>#</b>	<b>\$ (000)</b>	<b>#</b>	<b>\$ (000)</b>
<b>2011</b>												
Portland MSA	31	94	5	6	24	86	2	2	0	0	0	0
Salem MSA	0	0	0	0	0	0	0	0	0	0	0	0
Oregon Non-MSA	8	13	3	9	5	4	0	0	0	0	0	0
<b>Total OR – 2011</b>	<b>39</b>	<b>107</b>	<b>8</b>	<b>15</b>	<b>29</b>	<b>90</b>	<b>2</b>	<b>2</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>2012</b>												
Portland MSA	51	154	9	29	36	92	6	33	0	0	0	0
Salem MSA	1	3	0	0	1	3	0	0	0	0	0	0
Oregon Non-MSA	14	24	4	11	9	12	1	1	0	0	0	0
<b>Total OR – 2012</b>	<b>66</b>	<b>181</b>	<b>13</b>	<b>40</b>	<b>46</b>	<b>107</b>	<b>7</b>	<b>34</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>2013</b>												
Portland MSA	14	64	3	20	11	44	0	0	0	0	0	0
Salem MSA	0	0	0	0	0	0	0	0	0	0	0	0
Oregon Non-MSA	1	2	0	0	1	2	0	0	0	0	0	0
<b>Total OR – 2013</b>	<b>15</b>	<b>66</b>	<b>3</b>	<b>20</b>	<b>12</b>	<b>46</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Grand Total</b>	<b>120</b>	<b>354</b>	<b>24</b>	<b>75</b>	<b>87</b>	<b>243</b>	<b>9</b>	<b>36</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<i>Source: Bank records</i>												

The following donations show examples of qualifying donations provided by BOW:

- The bank donated \$20,000 to a small business legal clinic that provides free legal services to small and micro businesses in the Portland MSA.
- The bank donated \$4,000 to a non-profit that provides group homes and vocational training for low-income individuals with intellectual and developmental disabilities.

## SERVICE TEST

BOW is rated Low Satisfactory in the Oregon Service Test. Delivery systems are accessible to essentially all portions of BOW's AAs. Services do not vary in a way that inconveniences certain portions of the AAs, particularly LMI geographies. BOW's record of opening and closing branches has adversely affected the accessibility of its delivery systems, particularly in LMI geographies. Also, the bank provided a limited level of CD during the evaluation period.

### Reasonableness of Business Hours and Services

Services do not vary in a way that inconveniences certain portions of the AAs, particularly low- and moderate-income geographies and/or individuals. BOW offers a full array of small business, small farm, residential lending, deposit, and other services and consistent business hours across AAs and CT income levels.

### Accessibility of Delivery Systems

Delivery systems are accessible to essentially all portions of the institution's AAs. BOW has a higher level of branches in low-income areas than the aggregate institutions. The percentage of BOW's branches in low-income areas exceeds the number of households, families, and businesses in those same areas.

Table OR-18 presents the BOW's distribution of branches and ATMs as well as the percentages of branches and demographic information CT income levels in Oregon.

Table OR-18 – Branch Structure					
Branch and ATM Distribution	CT Income Level				
	Low	Moderate	Middle	Upper	Total
Number of Branches as of March 3, 2014	2	7	12	5	26
Percentage of Branches	7.7	26.9	46.2	19.2	100.0
Number of ATMs as of March 3, 2014	2	8	12	5	27
Percentage of ATMs	7.4	29.6	44.5	18.5	100.0
<b>Comparisons</b>					
Percentage of Branches - All Institutions	6.7	27.4	45.7	20.2	100.0
Percentage of Households	2.0	21.8	50.0	26.2	100.0
Percentage of Families	1.6	20.4	49.7	28.3	100.0
Percentage of Businesses*	4.0	20.6	45.5	29.9	100.0
Source: Bank records, 2010 U.S. Census, 2013 D&B *Does not include 1 NA CT					

Table OR-19 on the following page provides detailed information on the location of BOW's branches by AA, compared to all bank branches in the LMI areas.

<b>Table OR-19 – LMI CT Branch Distribution</b>				
<b>AA</b>	<b>Low-Income CTs</b>		<b>Moderate-Income CTs</b>	
	<b>Bank (%)</b>	<b>Aggregate (%)</b>	<b>Bank (%)</b>	<b>Aggregate (%)</b>
Portland MSA	11.1	9.0	33.3	30.0
Salem MSA	0	0.0	0	27.5
Oregon Non-MSA	0.0	0.0	12.5	10.6
<i>Source: Bank records, 2012 Peer Deposit Data</i>				

### **Changes in Branch Locations**

BOW's record of opening and closing branches has adversely affected the accessibility of its delivery systems, particularly in LMI geographies and/or to LMI individuals. Since the previous evaluation, BOW has closed six and opened one branch in Oregon. Four of the six branch closures were in the Portland MSA (two in middle-income CTs, one in an upper-income CT, and one in a low-income CT). BOW also opened an office in a low-income CT in the Portland MSA. The bank closed the only BOW office in the Salem MSA in Marion County, which was located in a moderate-income CT. The bank closed one of its two offices in Jefferson County, a distressed county with high poverty and unemployment levels.

### **CD Services**

BOW provides a limited level of CD services in Oregon. Community development services declined from 506 hours reported at the previous evaluation to 333 hours at this evaluation. In particular, there are limited services provided in the Oregon Non-MSA, which includes eight offices in five counties. Table OR-20 on the following page provides the total number, hours and type of CD service by year and by AA.

Table OR-20 – CD Services												
Assessment Area	Total		Affordable Housing		Community Services		Economic Development		Revitalization or Stabilization		Neighborhood Stabilization	
	#	Hours	#	Hours	#	Hours	#	Hours	#	Hours	#	Hours
<b>2011</b>												
Portland MSA	4	8	0	0	4	8	0	0	0	0	0	0
Salem MSA	0	0	0	0	0	0	0	0	0	0	0	0
Oregon Non-MSA	0	0	0	0	0	0	0	0	0	0	0	0
<b>Total OR - 2011</b>	<b>4</b>	<b>8</b>	<b>0</b>	<b>0</b>	<b>4</b>	<b>8</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>2012</b>												
Portland MSA	59	119	0	0	59	119	0	0	0	0	0	0
Salem MSA	0	0	0	0	0	0	0	0	0	0	0	0
Oregon Non-MSA	0	0	0	0	0	0	0	0	0	0	0	0
<b>Total OR - 2012</b>	<b>59</b>	<b>119</b>	<b>0</b>	<b>0</b>	<b>59</b>	<b>119</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>2013</b>												
Portland MSA	40	198	0	0	40	198	0	0	0	0	0	0
Salem MSA	0	0	0	0	0	0	0	0	0	0	0	0
Oregon Non-MSA	2	8	0	0	2	8	0	0	0	0	0	0
<b>Total OR - 2013</b>	<b>42</b>	<b>206</b>	<b>0</b>	<b>0</b>	<b>42</b>	<b>206</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Grand Total</b>	<b>105</b>	<b>333</b>	<b>0</b>	<b>0</b>	<b>105</b>	<b>333</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<i>Source: Bank records</i>												

The following examples highlight CD services provided by BOW in Oregon during the evaluation period:

- BOW staff provided 88 hours of technical assistance during the evaluation period to a non-profit group in the Portland MSA that is helping homeless individuals transition into their own housing.

# PORTLAND MSA FULL-SCOPE EVALUATION

## SCOPE OF EXAMINATION

Examiners conducted a full-scope, off-site review of the Portland MSA AA.

## DESCRIPTION OF THE PORTLAND MSA ASSESSMENT AREA

The bank delineates Clackamas, Columbia, Multnomah, and Washington Counties in Oregon as its Portland MSA AA. BOW operates 18 branches in the Portland MSA, but the bank does not have branches in Yamhill County, Oregon, or Clark and Skamania Counties in Oregon. The bank does not utilize the entire Portland-Vancouver-Hillsboro, OR-WA MSA as the Portland AA. Table OR-21 details the demographics of the Portland MSA AA.

Table OR-21 – Demographic Information for Portland MSA AA						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA % of #
CTs	365	2.7	23.3	44.4	29.0	0.6
Population by CT Income Level	1,690,387	2.7	23.9	44.6	28.8	0.0
Owner-Occupied Housing Units by CT Income Level	406,979	1.3	18.3	46.4	34.0	0.0
Businesses by CT Income Level	200,742	4.9	21.0	41.6	32.3	0.2
Families by Income Level	404,833	20.5	17.3	20.9	41.3	0.0
Families by CT Income Level	404,833	2.1	21.8	44.7	31.4	0.0
Median Family Income		\$68,924	Median Housing Value		\$315,133	
HUD Adjusted Median Family Income for 2013		\$68,300				
Households Below Poverty Level		11.5%				
Source: 2010 U.S. Census Data, 2013 D&B Data						

According to Moody's Analytics, the Portland economy has improved quicker than Oregon as a whole. Unemployment in Portland is 7.4 percent as of December 31, 2013, compared to 8.0 percent for the state. The Portland unemployment rate has improved significantly from the 9.3 percent in 2011 to 8.2 percent in 2012. Housing prices have shown corresponding increases, with median home prices increasing 5.5 percent in 2012 to 14.8 percent in 2013.

## PERFORMANCE TEST CONCLUSIONS

### LENDING TEST

The Oregon Non-MSA AA full-scope evaluation represents a more in-depth review of the borrower profile and geographic distribution components of the Lending Test. Loan products analyzed include residential mortgages and small business loans.

## **Borrower Profile**

BOW's distribution of borrowers in the Portland MSA reflects, given the product lines offered by the institution, good penetration among retail customers of different income levels and business customers of different revenue sizes. Although this conclusion is below the statewide performance, it still reflects relatively strong performance.

### **Small Business Loans**

The bank has excellent penetration in small business lending within the Portland MSA. In 2012, BOW's lending to businesses with GAR of \$1 million or less of 58.4 percent was significantly higher than the aggregate data of 39.5 percent. In 2013, BOW's performance was fairly stable with only a slight downward trend to 56.9 percent.

### **HMDA Loans**

The bank has adequate penetration level to LMI borrowers in the Portland MSA. In 2012, BOW originated 5.4 percent of its HMDA loans to low-income borrowers, which is below the aggregate data of 6.4 percent. In 2013, the bank's low-income borrower penetration showed a downward trend. In 2012, the bank's lending to moderate-income borrowers of 19.5 percent was above the aggregate data of 16.2 percent. Although the bank's 2013 lending decreased to 17.6 percent, it was still comparable to the demographic data.

## **Geographic Distribution**

BOW's overall distribution of loans reflects excellent penetration throughout the Portland MSA AA.

### **Small Business Loans**

The geographic distribution of small business loans reflects excellent penetration throughout the Portland MSA. In 2012, BOW originated 6.9 percent of its small business loans in low-income CTs, which is above the aggregate data of 4.1 percent. In 2013, the bank's lending performance of 7.2 percent showed an increasing trend and was above the D&B data of 4.9 percent. In 2012, BOW's moderate-income CT performance of 21.1 percent was above the aggregate data of 19.6 percent. In 2013, the bank's performance of 22.6 percent showed an increasing trend and was above the D&B data of 21.0 percent.

### **HMDA Loans**

The geographic distribution of HMDA loans reflects good penetration in the Portland MSA. In 2012, BOW originated 3.8 percent of its HMDA loans in low-income CTs, which is above the aggregate data of 1.2 percent. BOW's performance in moderate-income CTs of 16.2 percent was above the aggregate data of 15.4 percent. In 2013, the bank's LMI performance was mixed with low-income CT performance declining slightly, while moderate-income CT performance



showing an increasing trend. Overall, the bank's 2013 LMI performance was strong and above the demographic data.

### **INVESTMENT TEST**

BOW's Investment Test performance in this AA is consistent with the institution's Investment Test performance in the state.

### **SERVICE TEST**

BOW's Service Test performance in this AA is consistent with the institution's Service Test performance in the state.

## **Limited-Scope AA Evaluations**

Data applicable to the limited-scope AAs indicates that performance is consistent with the institution's performance in the state. Demographic data regarding limited-scope AAs is located in Appendix F.

# OMAHA MULTI-STATE MSA

*The Lending Test is rated:*                      *Outstanding*  
*The Investment Test is rated:*                *High Satisfactory*  
*The Service Test is rated:*                      *Low Satisfactory*

BOW's Omaha Multi-State CRA Rating is **Satisfactory**.

## SCOPE OF EXAMINATION AND DESCRIPTION OF OPERATIONS

Examiners conducted a full-scope, off-site evaluation of the bank's performance in the Omaha Multi-State MSA AA. A review of FDIC records and the bank's CRA public file revealed no CRA complaints since the previous evaluation in this area. BOW operates 23 branches within the AA. Refer to the Service Test portion of this evaluation for details regarding BOW's delivery systems and any changes that occurred over the review period.

## DESCRIPTION OF THE OMAHA MULTI-STATE ASSESSMENT AREA

Summarized below are comprised of entire geographies and entire counties. Table OMH-1 details the counties that comprise the Omaha Multi-State MSA AA.

Table OMH-1 – AA Composition, Branches, and ATMs					
AA	MSA or MD	MSA or MD #	Counties	Branches	ATMs
Omaha Multi-State MSA	Omaha Multi-State MSA	36540	Douglas, Sarpy, Harrison, Pottawattamie	23	31
<i>Source: Bank records</i>					

Table OMH-2 reflects the demographics of the AA.

Table OMH-2 – Demographic Information						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA % of #
CTs	234	12.4	21.8	39.3	26.1	0.4
Population by CT Income Level	784,036	9.3	21.4	39.4	29.6	0.3
Owner-Occupied Housing Units by CT Income Level	199,347	5.8	17.8	43.4	33.0	0.0
Businesses by CT Income Level	68,806	7.2	18.1	42.7	31.6	0.4
Families by Income Level	194,936	21.0	17.4	22.5	39.1	0.0
Families by CT Income Level	194,936	7.9	19.4	41.6	31.1	0.0
Median Family Income		\$69,538	Median Housing Value		\$146,642	
HUD Adjusted Median Family Income for 2013		\$72,700				
Households Below Poverty Level		11.0%				
Source: 2010 U.S. Census Data, 2013 D&B Data						

According to Moody's Economy.com, Omaha's pace of expansion in manufacturing and construction job recovery is slow. Strength in retail and professional services were offsetting weakness in leisure, hospitality, and finance services. Residential construction slowed during the year in light of a slight increase in home prices. The unemployment rate declined to 3.9 percent in December 2013, as workers have left the labor force. Omaha's housing market will continue its stagnant performance this year unless the job market reaccelerates. The area's low office rent, educated workforce, central location, and bevy of large corporate headquarters have solidified its position as a leading location for management operations. Healthcare, leisure, and hospitality will drive expansion as the area develops as a regional healthcare hub and conference facilities draw a large number of corporate travelers. The top employers in the AA are Offutt Air Force Base, Alegent Health Inc., and Nebraska Medical Center.

### Community Contact Observations

Examiners interviewed a community contact that was conducted in the area. The contact stated that the area's economy has done well in recent years, even though the recession. The contact attributed this to a diverse business sector that includes financial services, the defense industry, transportation and distribution, manufacturing, health care, and information technology. The contact stated that housing in the Omaha area is relatively stable, as the area did not experience inflated housing prices like other parts of the country. Home sales have increased the prior ten consecutive months and single family housing permits are on the rise. The contact stated that overall housing in the Omaha area is affordable, with median housing values 28 percent less than the national average. In addition, the contact stated that the cost of living in Omaha is 12 percent below the national average, and the home price to income ratio is lower. Lastly, the contact indicated that there are CD and economic redevelopment opportunities in the midtown, north Omaha, and south Omaha areas.

## STATEWIDE PERFORMANCE TEST CONCLUSIONS

### LENDING TEST

BOW's Lending Test performance is rated Outstanding. HMDA lending performance is given the most weight, followed by small business lending. Examiners did not evaluate small farm lending because of the limited amount of loans originated during the review period.

#### Lending Activity

Overall, BOW's lending levels reflect excellent responsiveness to AA credit needs. Examiners reviewed the number and dollar volume of loans originated over the review period, as well as market share and market ranking figures for the primary loan products to determine the bank's level of lending relative to AA's credit needs.

In 2012 and 2013, the bank originated 1,478 HMDA loans totaling \$185.7 million, compared to 386 small business loans totaling \$39.2 million, and 32 small farm loans totaling \$2.0 million.

Table OMH-3 and OMH-4 (on the following page) details BOW's loan market ranking and market shares during 2012 by loan type in the Omaha Multi-State MSA AA. Aggregate small business and HMDA data is not yet available for 2013.

#### HMDA Loans

Table OMH-3 details BOW's HMDA loan market ranking and market shares during 2012 by loan type in the Omaha Multi-State MSA.

Table OMH-3 – HMDA Loan Market Share			
AA	2012		Deposit Market Share %
	Rank (\$)	Market Share %	
Omaha Multi-State MSA	17 of 349	1.2	4.6
Source: 2012 CRA Aggregate Data and June 2013 FDIC Summary of Deposits			

Examiners reviewed HMDA loan market share and market ranking data based on dollar volume rather than number of loans originated. BOW's HMDA lending levels also reflect excellent responsiveness to AA credit needs in this saturated industry. BOW ranked a favorable 17<sup>th</sup> out of 349 lenders in 2012.

#### Small Business Loans

Table OMH-4 on the following page details BOW's small business loan market ranking and market shares during 2012 by loan type in the Omaha Multi-State MSA.

<b>Table OMH-4 – Small Business Loan and Deposit Market Shares</b>			
AA	2012		Deposit Market Share %
	Rank (\$)	Market Share %	
Omaha Multi-State MSA	9 of 68	2.9	4.6
<i>Source: 2012 CRA Aggregate Data and June 2013 FDIC Summary of Deposits</i>			

Examiners reviewed small business loan market share and market ranking data based on dollar volume rather than number of loans originated. Dollar volumes represent a more relevant comparison, because market share data includes national credit card lenders. The credit card lenders report numerous small dollar loans that skew the market share ranking based on number of loans originated. Credit card lenders do not provide traditional small businesses loans in the same manner as BOW and its local competitors. BOW's small business lending levels reflect excellent responsiveness to AA credit needs in a highly competitive banking environment. BOW ranked a favorable 15<sup>th</sup> out of 68 small business lenders in 2012.

### **Borrower's Profile**

The distribution of borrowers in the Omaha Multi-State MSA AA reflects, given the product lines offered by the institution, excellent penetration among retail customers of different income levels and business customers of different revenue sizes.

### **HMDA Loans**

The distribution of borrowers reflects excellent penetration among retail customers of different income levels.

Table OMH-5 details BOW's distribution of HMDA loans by borrower income in Omaha Multi-State MSA AA.

<b>Table OMH-5 - HMDA Loan Borrower Profile</b>						
Borrower Income Level	2010 Census Families	2012 Aggregate Data	2012 Bank		2013 Bank	
	%	%	#	%	#	%
Low	21.0	6.8	94	14.3	72	17.9
Moderate	17.4	16.4	174	26.5	88	21.8
Middle	22.5	19.6	139	21.1	90	22.3
Upper	39.1	36.8	203	30.9	119	29.6
Income Not Reported	0.0	20.4	47	7.2	34	8.4
<b>Total</b>	<b>100.0</b>	<b>100.0</b>	<b>657</b>	<b>100.0</b>	<b>403</b>	<b>100.0</b>
<i>Source: 2010 U.S. Census, 2012 HMDA Aggregate Data, 2012 and 2013 HMDA LARs</i>						

BOW 2012 lending data shows penetration to low-income borrowers (14.3 percent) exceeds aggregate lending data (6.8 percent). In addition, lending to moderate-income borrowers (26.5 percent) also exceeds aggregate lending data (16.4 percent).

In 2013, the bank's lending activity to low-income borrowers (17.9 percent) reflects a slight upward trend when compared to the 2012 performance (14.3 percent), but this performance is lower than 2010 U.S. Census data (21.0 percent). The 2013 lending to moderate-income borrowers (21.8 percent) reflects a decline in comparison to the 2012 performance (26.5 percent), but the lending performance exceeds the 2010 U.S. Census data (17.4 percent).

### Small Business Loans

The distribution of borrowers reflects, given the product lines offered, excellent penetration among businesses of different revenue sizes. For comparison purposes, the table includes aggregate lending data as a percentage of the total number of loans, and the percentage of total businesses within the AA.

Table OMH-6 details BOW's distribution of small business loans by GAR in all Omaha Multi-State MSA combined.

<b>Table OMH-6 – Small Business Loan Borrower Profile</b>						
<b>Gross Annual Revenues</b>	<b>2013 D&amp;B</b>	<b>2012 Aggregate Data</b>	<b>2012 Bank</b>		<b>2013 Bank</b>	
	<b>%</b>	<b>%</b>	<b>#</b>	<b>%</b>	<b>#</b>	<b>%</b>
≤ \$1 Million	71.1	33.0	134	72.0	162	81.0
> \$1 Million	4.7		46	24.7	34	17.0
Not Applicable	24.2		6	3.3	4	2.0
<b>Total</b>	<b>100.0</b>		<b>186</b>	<b>100.0</b>	<b>200</b>	<b>100.0</b>
<i>Source: 2013 D&amp;B, 2012 Aggregate Data, 2012 and 2013 CRA LRs</i>						

The distribution of borrowers throughout the Omaha Multi-State MSA reflects excellent penetration among business customers of different revenue sizes. In 2012, BOW originated 72.0 percent of its small business loans to businesses with GARs of \$1 million or less, which is more than double the aggregate data (33.0 percent). In 2013, the bank's lending performance (81.0 percent) shows an upward trend and is above the D&B data (71.1 percent).

### Geographic Distribution

The geographic distribution of loans reflects excellent penetration throughout the AAs.

### HMDA Loans

The geographic distribution of home mortgage loans reflects an excellent penetration throughout the Omaha Multi-State MSA. Table OMH-7 on the following page details BOW's statewide

geographic distribution for HMDA loans. For comparison purposes, aggregate lending data as a percentage of the total number of loans and the percentage of occupied housing units are shown.

<b>Table OMH-7 – HMDA Loan Geographic Distribution</b>						
<b>CT Income Level</b>	<b>Owner-Occupied Housing Units</b>	<b>2012 Aggregate Lending Data</b>	<b>2012 Bank</b>		<b>2013 Bank</b>	
	<b>%</b>	<b>%</b>	<b>#</b>	<b>%</b>	<b>#</b>	<b>%</b>
Low	5.8	2.4	30	4.6	23	5.7
Moderate	17.8	11.0	118	17.9	74	18.3
Middle	43.4	38.5	264	40.2	161	40.0
Upper	33.0	48.1	245	37.3	145	36.0
N/A	0.0	0.0	0	0.0	0	0.0
<b>Total</b>	<b>100.0</b>	<b>100.0</b>	<b>657</b>	<b>100.0</b>	<b>403</b>	<b>100.0</b>
<i>Source: 2010 U.S. Census, 2012 HMDA Aggregate Data, 2012 and 2013 HMDA LARs</i>						

In 2012, BOW's lending performance in low-income CTs (4.6 percent) is significantly above the aggregate data (2.4 percent). The bank's 2012 penetration in moderate-income CTs (17.9 percent) also compares favorably and is above the aggregate lending data (11.0 percent).

In 2013, the bank's lending in low-income geographies increased slightly (5.7 percent), and is nearly identical with the percentage of owner-occupied units (5.8 percent). Also, the bank's 2013 lending in moderate-income CTs (18.3 percent) is slightly above the percentage of owner-occupied housing units (17.8 percent). The bank's 2013 performance also shows an upward trend in the LMI CTs.

### Small Business Loans

The geographic distribution of small business loans reflects good penetration throughout the Omaha Multi-State MSA AAs. Table OMH-8 on the following page details BOW's statewide geographic distribution for small business loans. For comparison purposes, the table includes aggregate lending data as a percentage of the total number of loans, and the percentage of total businesses within the AA.

<b>Table OMH-8 – Small Business Loan Geographic Distribution</b>						
<b>CT Income Level</b>	<b>2013 D&amp;B</b>	<b>2012 Aggregate Data</b>	<b>2012 Bank</b>		<b>2013 Bank</b>	
	<b>%</b>	<b>%</b>	<b>#</b>	<b>%</b>	<b>#</b>	<b>%</b>
Low	7.2	6.1	24	13.0	12	6.0
Moderate	18.0	15.9	38	20.4	33	16.5
Middle	42.7	43.4	79	42.5	90	45.0
Upper	31.6	30.6	43	23.1	65	32.5
N/A	0.5	4.0	2	1.0	0	0.0
<b>Total</b>	<b>100.0</b>	<b>100.0</b>	<b>186</b>	<b>100.0</b>	<b>200</b>	<b>100.0</b>
<i>Source: 2013 D&amp;B, 2012 Aggregate Data, 2012 and 2013 CRA LR</i>						

In 2012, BOW's penetration in low-income CTs (13.0 percent) significantly exceeds aggregate data (6.1 percent). In addition, the bank's 2012 lending performance in moderate-income CTs (20.4 percent) exceeds the percentages of aggregate data (15.9 percent).

In 2013, the bank's level of penetration in the LMI CTs reflected a downward trend (6.0 percent and 16.5 percent, respectively). Although, the bank's 2013 performance trended downward in the LMI CTs, the percentages are still comparable to D&B data (7.2 percent and 18.0 percent, respectively).

### **Record of Serving the Credit Needs of Highly Economically Disadvantaged**

BOW exhibits an excellent record of serving the credit needs of the most economically disadvantaged areas of its Omaha Multi-State MSA AA, low-income individuals, and very small businesses, consistent with safe and sound banking practices.

### **CD Loans**

BOW has an adequate level of CD loans in the Omaha Multi-State MSA AA. As the 5th largest bank in the Omaha Multi-State MSA AA, BOW has a market share of 4.6 percent and competes with 80 institutions, the top 3 of which have a combined market share of over 30.0 percent. The bank originated 4 CD loans totaling \$78.2 million since the previous evaluation, which represents 0.2 percent of the total dollar volume of the bank's CD lending activity, but is less than the percentage of branches (13.8 percent) that the bank operates in the AA. BOW had a CD loan-to-asset ratio of 0.1 percent, which was lower than other similarly situated banks, but represents a substantial increase (96.8 percent) from the previous evaluation.



<b>Table OMH-9 – CD Lending</b>												
<b>AA</b>	<b>Total</b>		<b>Affordable Housing</b>		<b>Community Services</b>		<b>Economic Development</b>		<b>Revitalization or Stabilization</b>		<b>Neighborhood Stabilization</b>	
	#	\$ (000)	#	\$ (000)	#	\$ (000)	#	\$ (000)	#	\$ (000)	#	\$ (000)
<b>2011</b>												
Omaha Multi-State MSA	0	0	0	0	0	0	0	0	0	0	0	0
<b>2012</b>												
Omaha Multi-State MSA	3	77,100	1	2,100	0	0	0	0	2	75,000	0	0
<b>2013</b>												
Omaha Multi-State MSA	1	1,162	1	1,162	0	0	0	0	0	0	0	0
<b>Grand Total</b>	<b>4</b>	<b>78,262</b>	<b>2</b>	<b>3,262</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>2</b>	<b>75,000</b>	<b>0</b>	<b>0</b>
<i>Source: Bank records</i>												

Table OMH-9 details the bank's CD lending activity in Omaha Multi-State MSA. The following are two of the more notable CD loans originated by BOW during the review period:

- BOW originated a \$50 million loan to a large corporation to finance the acquisition of the holding company. The facility is located in a moderate-income area and within the boundaries of the City of Omaha's Community Redevelopment Area. This loan serves to revitalize and stabilize a LMI area through continued permanent job creation and job retention by financing a business.
- BOW financed a \$25 million line of credit that will be used towards working capital needs, acquisitions, capital expenditures, and general corporate purposes. The facility is located near LMI areas and within the border of the City of Omaha's Redevelopment Area. This loan serves to revitalize and stabilize a LMI and redevelopment area by continued permanent job creation and job retention by financing the business.

## INVESTMENT TEST

BOW's Investment Test rating is High Satisfactory. BOW has a significant level of qualified community investments and grants, occasionally in a leadership position, particularly those that are not routinely provided by private investors. The institution exhibits adequate responsiveness to credit and CD needs and occasionally uses innovative or complex investments to support CD initiatives. Although the bank does not hold any investments that directly impact the Omaha Multi-State MSA AA, this AA is covered by statewide investments in the two states that constitute this multi-state area. For Iowa and Nebraska, statewide current period investments

total \$3.0 million and \$7.0 million, respectively (excludes grants and donations), and statewide prior period investments total \$8.2 million and \$11.8 million, respectively. These qualified investments consist of equity and LIHTC type investments. Qualified investments and donations covered the Omaha Multi-State MSA AA in a manner consistent with the bank's allocation of resources.

### **Qualified Grants and Donations**

BOW's total qualified donations totaled \$369,100 during the examination period. Qualified investments and donations covered the Omaha Multi-State MSA AAs in a manner consistent with the bank's allocation of resources.

Table OMH-10 details the bank's qualified donations by type and category in the Omaha Multi-State MSA AA.

<b>Table OMH-10 – CD Donations</b>												
<b>AA</b>	<b>Total</b>		<b>Affordable Housing</b>		<b>Community Services</b>		<b>Economic Development</b>		<b>Revitalization or Stabilization</b>		<b>Neighborhood Stabilization</b>	
	<b>#</b>	<b>\$ (000)</b>	<b>#</b>	<b>\$ (000)</b>	<b>#</b>	<b>\$ (000)</b>	<b>#</b>	<b>\$ (000)</b>	<b>#</b>	<b>\$ (000)</b>	<b>#</b>	<b>\$ (000)</b>
<b>2011</b>												
Omaha Multi-State MSA	19	86	3	18	15	63	1	5	0	0	0	0
<b>2012</b>												
Omaha Multi-State MSA	54	199	8	31	42	146	3	20	1	2	0	0
<b>2013</b>												
Omaha Multi-State MSA	36	110	3	18	29	83	4	9	0	0	0	0
<b>Grand Total</b>	<b>109</b>	<b>395</b>	<b>14</b>	<b>67</b>	<b>86</b>	<b>292</b>	<b>8</b>	<b>34</b>	<b>1</b>	<b>2</b>	<b>0</b>	<b>0</b>
<i>Source: Bank records</i>												

### **SERVICE TEST**

BOW is rated Low Satisfactory in the Service Test. To the extent changes have been made, BOW's opening and closing of branches has adversely affected the accessibility of its delivery systems, particularly in LMI geographies. The bank's delivery systems are accessible to essentially all portions of the AA. Services do not vary in ways that inconvenience certain portions of the AA, particularly LMI geographies or individuals; however, BOW provided a high level of CD services over the review period.

## **Reasonableness of Business Hours and Services**

Services do not vary in a way that inconveniences portions of the Omaha Multi-State MSA AA, particularly LMI geographies or individuals. BOW offers a full array of small business, small farm, residential lending, deposit, and other services across AAs and CT income levels. All branches offer ATMs and business hours do not vary in any material manner; however, one branch located in an upper-income CT is open from 10:00 a.m. to 1:00 p.m. on Saturdays. No other branches are open on Saturdays and all branches are closed on Sundays.

## **Accessibility of Delivery Systems**

BOW operates 23 branches in Omaha Multi-State MSA. Table OMH-11 details BOW's distribution of branches and ATMs as well as the percentages of branches and demographic information CT income levels in Omaha Multi-State MSA.

<b>Table OMH-11 – Branch Structure</b>						
<b>Branch and ATM Distribution</b>	<b>CT Income Level</b>					
	<b>Low</b>	<b>Moderate</b>	<b>Middle</b>	<b>Upper</b>	<b>NA</b>	<b>Total</b>
Number of Branches as of March 3, 2014	0	7	8	8	0	23
Percentage of Branches	0.0	30.4	34.8	34.8	0.0	100.0
Number of ATMs as of March 3, 2014	1	13	9	8	0	31
Percentage of ATMs	3.2	41.9	29.0	25.9	0.0	100.0
<b>Comparisons</b>						
Percentage of Branches - All Institutions	5.9	19.8	43.2	29.6	1.5	100.0
Percentage of Households	9.1	22.3	41.8	26.8	0.0	100.0
Percentage of Families	7.9	19.4	41.6	31.1	0.0	100.0
Percentage of Businesses	7.2	18.1	42.7	31.6	0.4	100.0
<i>Source: Bank records, 2010 U.S. Census, 2013 D&amp;B</i>						

Delivery systems are accessible to essentially all portions of the Omaha Multi-State MSA AA. A map review reveals that the bank's branch structure is readily accessible to businesses and residents in Douglas and Sarpy Counties in Nebraska. Accessibility is lower in Pottawattamie and Harrison Counties in Iowa. BOW does not operate any branches in low-income areas. However, the bank operates 7 branches in moderate-income CTs amounting to 30.4 percent of its branches, which exceeds the percentage of competition, household, family, and business demographics of the AAs. BOW's moderate-income CT branches are above the competition and demographics from a branch coverage perspective.

## **Changes in Branch Locations**

To the extent changes have been made, the institution's record of opening and closing branches has adversely affected the accessibility of its delivery systems, particularly in LMI geographies and to LMI individuals. Since the previous evaluation, BOW closed one branch located in a low-income CT, one branch located in a moderate-income CT, and two branches located in middle-

income CTs. Consequently, the bank removed its only branch located in a low-income CT. BOW has not opened any branches since the last evaluation.

### **CD Services**

BOW provided a high level of CD services in Omaha Multi-State MSA. During the review period, BOW's employees engaged in 423 qualified activities and provided 1,182 hours of CD services. All CD services benefitted the Omaha Multi-State MSA AA and were primarily for CD.

<b>Table OMH-12 – CD Services</b>												
<b>AA</b>	<b>Total</b>		<b>Affordable Housing</b>		<b>Community Services</b>		<b>Economic Development</b>		<b>Revitalization or Stabilization</b>		<b>Neighborhood Stabilization</b>	
	<b>#</b>	<b>Hours</b>	<b>#</b>	<b>Hours</b>	<b>#</b>	<b>Hours</b>	<b>#</b>	<b>Hours</b>	<b>#</b>	<b>Hours</b>	<b>#</b>	<b>Hours</b>
<b>2011</b>												
Omaha Multi-State MSA	3	6	0	0	3	6	0	0	0	0	0	0
<b>2012</b>												
Omaha Multi-State MSA	151	474	4	10	147	464	0	0	0	0	0	0
<b>2013</b>												
Omaha Multi-State MSA	269	702	30	56	239	646	0	0	0	0	0	0
<b>Grand Total</b>	<b>423</b>	<b>1,182</b>	<b>34</b>	<b>66</b>	<b>389</b>	<b>1,116</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<i>Source: Bank records</i>												

# **NEW MEXICO**

*The Lending Test is rated:*                      *High Satisfactory*  
*The Investment Test is rated:*                *Low Satisfactory*  
*The Service Test is rated:*                    *Low Satisfactory*

BOW's New Mexico CRA Rating is **Satisfactory**.

## **SCOPE OF EXAMINATION AND DESCRIPTION OF OPERATIONS**

Examiners conducted a full-scope, off-site evaluation of the bank's performance in the Albuquerque MSA AA and an off-site, limited-scope review of the Las Cruces MSA AA. A review of FDIC records and the bank's CRA public file, revealed no CRA complaints since the previous evaluation. Refer to the Service Test portion of this evaluation for details regarding BOW's delivery systems and any changes that occurred over the review period.

## **DESCRIPTION OF THE NEW MEXICO ASSESSMENT AREA**

The New Mexico AAs are comprised of two individual AAs located in metropolitan areas. Each of the two AAs is comprised of entire geographies and entire counties. Table NM-1 provides the details the counties that comprise the New Mexico AAs and summarizes the number of branches and ATMs located in New Mexico.

<b>Table NM-1 – AA Composition, Branches, and ATMs</b>					
<b>AA</b>	<b>MSA or MD</b>	<b>MSA or MD #</b>	<b>Counties</b>	<b>Branches</b>	<b>ATMs</b>
Albuquerque MSA	Albuquerque, NM MSA	10740	Bernalillo, Sandoval, Valencia	21	23
Las Cruces MSA	Las Cruces, NM MSA	29740	Dona Ana	5	4
<b>Statewide</b>			<b>Total Branches/ATMs</b>	26	27
<i>Source: Bank records</i>					

Table NM-2 details the demographics of the statewide New Mexico AAs.

Table NM-2 – Demographic Information						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA % of #
CTs	240	5.8	29.6	32.5	31.7	0.4
Population by CT Income Level	1,079,927	5.5	31.6	30.8	32.1	0.0
Owner-Occupied Housing Units by CT Income Level	272,145	2.7	27.7	32.4	37.2	0.0
Businesses by CT Income Level	86,667	6.3	26.1	32.2	35.4	0.0
Families by Income Level	261,573	22.6	17.5	18.6	41.3	0.0
Families by CT Income Level	261,573	4.3	30.1	31.2	34.4	0.0
Median Family Income		\$56,614	Median Housing Value	\$185,150		
HUD Adjusted Median Family Income for 2013		\$59,842				
Households Below Poverty Level		15.7%				
Source: 2010 U.S. Census Data, 2013 D&B Data						

According to Moody's Analytics, growth in New Mexico is faltering under the weight of federal budget cuts as the economic outlook is more closely tied to federal budget conditions than nearly any other state. The Los Alamos National Laboratories and the Sandia National Laboratories are the second and third largest employers in New Mexico. The unemployment rate has declined since the 2010 peak of 7.9 percent to 6.9 percent in 2012, and 6.8 percent in 2013. However, total employment growth has been low with just a 0.1 percent growth in 2012 after 3 years of flat or negative employment growth. The 2013 employment growth of 0.7 percent is much stronger. Single-family housing permits averaged over 4,000 in 2009 and 2010, but averaged only 3,204 in 2012 and 2013, which indicates a lack of confidence in the local economy and continued low construction job increases.

### Community Contact Observations

Previously conducted community contacts were reviewed and comments are summarized below. One contact stated that small businesses in the area are somewhat isolated from the nationwide economic downturn, which is the result of the area's unemployment remaining fairly consistent after 2009. The same contact stated that there have not been significant economic improvements or degradation in the local economy. A second contact stated that job growth is primarily agricultural, government, retail, and restaurant industries. This same contact stated that tightened underwriting has caused an increase in pay day lenders. Two different contacts stated that there are needs for small business capital, such as venture capital and credit for small businesses. A fifth contact stated that the local financial institutions have been diligent in meeting the area's credit needs and providing counseling services, which helps maintain the general economy. Lastly, another contact stated that there is a need for participation in housing programs targeted to LMI individuals. The contact noted that sponsorships, fundraisers, and donations to these programs would be beneficial to the community. Examiners determined the primary credit need is small business loans.

## STATEWIDE PERFORMANCE TEST CONCLUSIONS

### LENDING TEST

BOW's Lending Test performance is rated High Satisfactory. BOW is an active small business lender and HMDA lender in New Mexico. Both products were equally weighted in assessing lending performance.

#### Lending Activity

Overall, BOW's lending levels reflect good responsiveness to AA credit needs. Examiners reviewed the number and dollar volume of loans originated over the review period, as well as market share and market ranking figures for primary loan products to determine the bank's level of lending relative to AA credit needs.

In 2012 and 2013, BOW originated 566 small business loans totaling \$81.2 million, 797 residential mortgage loans totaling \$130.5 million, and 6 small farm loans totaling \$1.1 million. Since small farm loans are such a minor portion of the bank's lending in New Mexico, small farm tables are not presented in this evaluation.

#### Small Business Loans

Table NM-3 details BOW's small business loan market rank and share for 2012 and the deposit market share as of June 30, 2013, the latest available market share dates.

Table NM-3 – Small Business Loan and Deposit Market Shares			
AA	2012		Deposit Market Share %
	Rank (\$)	Market Share %	
All New Mexico AAs Combined	3 of 77	8.7	10.0
Albuquerque MSA	3 of 65	9.1	10.6
Las Cruces MSA	4 of 40	5.2	5.8
Source: 2012 CRA Aggregate Data and June 2013 FDIC Summary of Deposits			

As noted in the table above, BOW actively makes small business loans in both the Albuquerque MSA and the Las Cruces MSA. Although BOW's small business loan market share slightly lags deposit market shares, BOW's deposit and small business deposit market rank is similar with deposit market ranks of 3 out of 32 FDIC-insured institutions in the state, 4 out of 25 FDIC-insured institutions in the Albuquerque MSA, and 5 out of 17 FDIC-insured institutions in the Las Cruces MSA. The small business loan market share rank has increased significantly from the last evaluation when BOW had a 2009 rank of 18 out of 79 small business lenders with a 0.6 percent market share. Small business market shares are based on dollar volume to ensure small dollar lending, such as credit cards, do not skew overall small business market penetrations.

## HMDA Loans

Table NM-4 provides market share rank and percentages for residential lending for 2012.

<b>Table NM-4 – HMDA Loan Market Share</b>		
<b>AA</b>	<b>2012</b>	
	<b>Rank (#)</b>	<b>Market Share %</b>
All New Mexico AAs Combined	24 of 362	1.0
Albuquerque MSA	23 of 336	1.0
Las Cruces MSA	28 of 207	0.5
<i>Source: 2012 HMDA Aggregate Data</i>		

The Albuquerque residential lending market is larger than the Las Cruces market and is more closely aligned with the combined state market share percentage. The bank reported a total of 605 mortgages in 2009 and 2010, and then increasing to a total of 797 mortgages in 2012 and 2013. This increase in lending resulted in the bank's market share remaining relatively unchanged (1.0 percent in 2012 compared to 1.2 percent in 2009).

## Borrower Profile

The distribution of borrowers in New Mexico reflects, given the product lines offered by the institution, excellent penetration among retail customers of different income levels and business customers of different revenue sizes.

## Small Business Loans

The distribution of borrowers reflects good penetration among businesses of different sizes. Table NM-5 shows BOW's distribution of small business loans by GAR in New Mexico.

<b>Table NM-5 – Small Business Loan Borrower Profile</b>						
<b>GARs</b>	<b>2013 D&amp;B</b>	<b>2012 Aggregate Data</b>	<b>2012 Bank</b>		<b>2013 Bank</b>	
	<b>%</b>		<b>#</b>	<b>%</b>	<b>#</b>	<b>%</b>
≤ \$1 Million	73.9	42.4	173	58.2	156	58.0
> \$1 Million	4.1		115	38.7	100	37.2
Not Reported	22.0		9	3.1	13	4.8
<b>Total</b>	<b>100.0</b>		<b>297</b>	<b>100.0</b>	<b>269</b>	<b>100.0</b>
<i>Source: 2013 D&amp;B Data, 2012 CRA Aggregate Data, 2012 and 2013 CRA LR's</i>						

BOW reports a consistent percentage of lending to business with GAR of \$1 million or less of 58.2 percent in 2012, which is above the aggregate data of 42.4 percent in 2012. In 2013, the bank's lending performance remained relatively unchanged, but it was below the D&B data of 73.9 percent. The current levels reflect an improvement from the previous evaluation where BOW reported lending to businesses with GAR of \$1 million or less of 47.9 percent in 2009 and



48.8 percent in 2010. D&B data is listed as a source to determine the percentage of businesses located in BOW AAs, but D&B data does not provide an ability to fully analyze data since not all businesses have the ability or intent to borrow.

Table NM-6 presents the rate of lending to businesses with GARs of \$1 million or less for each AA within New Mexico.

<b>Table NM-6 – Small Business Penetration Rate By AA</b>						
AA	2013 D&B	2012 Aggregate Data	2012 Bank		2013 Bank	
	%	%	#	%	#	%
Albuquerque MSA	74.3	43.7	153	55.8	145	57.8
Las Cruces MSA	71.7	34.3	20	87.0	11	61.1
<i>Source: 2013 D&amp;B, 2012 Aggregate Data, 2012 and 2013 CRA LRs</i>						

BOW has provided loans to businesses with GAR of \$1 million or less above the aggregate lending levels in each New Mexico AA. The 2012 performance in the Las Cruces MSA reflects very strong lending levels that are more than twice the aggregate data. In 2013, BOW's performance in both AAs was mixed and the performance in both AAs was below the D&B data.

#### HMDA Loans

The distribution of borrowers reflects excellent penetration among retail customers of different income levels. Table NM-7 shows BOW's distribution of HMDA loans by borrower income in all New Mexico AAs.

<b>Table NM-7 – HMDA Loan Borrower Profile</b>						
Borrower Income Level	2010 Census Families	2012 Aggregate Data	2012 Bank		2013 Bank	
	%	%	#	%	#	%
Low	22.6	6.0	50	11.3	60	16.9
Moderate	17.5	14.5	102	23.1	83	23.3
Middle	18.6	18.9	95	21.5	62	17.4
Upper	41.3	40.5	177	40.1	141	39.6
Not Reported	0.0	20.1	17	3.9	10	2.8
<b>Total</b>	<b>100.0</b>	<b>100.0</b>	<b>441</b>	<b>100.0</b>	<b>356</b>	<b>100.0</b>
<i>Source: 2010 U.S. Census, 2012 HMDA Aggregate Data, 2012 and 2013 HMDA LARs</i>						

BOW has a significant level of HMDA loans to low-income borrowers. In 2012, BOW made 11.3 percent of its loans to low-income borrowers, compared to aggregate data of 6.0 percent. In 2013, the bank continued its strong lending to low-income borrowers with performance of 16.9 percent. The bank's performance to its moderate-income borrowers showed similar strong performance in both years.

Tables NM-8 and NM-9 provide further delineation of lending to LMI borrowers for each AA, compared against aggregate lending levels and U.S. Census data.

<b>Table NM-8 – Low-Income Borrower Penetration Rate By AA</b>						
<b>AA</b>	<b>2010 Census Families</b>	<b>2012 Aggregate Data</b>	<b>2012 Bank</b>		<b>2013 Bank</b>	
	<b>%</b>	<b>%</b>	<b>#</b>	<b>%</b>	<b>#</b>	<b>%</b>
Albuquerque MSA	22.1	6.6	49	12.0	54	16.6
Las Cruces MSA	22.6	2.6	1	3.1	6	20.0
<i>Source: 2010 U.S. Census, 2012 Aggregate Data, and 2012, 2013 HMDA LARs</i>						

<b>Table NM-9 – Moderate-Income Borrower Penetration Rate By AA</b>						
<b>AA</b>	<b>2010 Census Families</b>	<b>2012 Aggregate Data</b>	<b>2012 Bank</b>		<b>2013 Bank</b>	
	<b>%</b>	<b>%</b>	<b>#</b>	<b>%</b>	<b>#</b>	<b>%</b>
Albuquerque MSA	17.7	15.5	92	22.5	73	22.4
Las Cruces MSA	17.5	8.0	10	31.3	10	33.3
<i>Source: 2010 U.S. Census, 2012 HMDA Aggregate Data, 2012 and 2013 HMDA LARs</i>						

Tables NM-8 and NM-9 reflect lending levels to LMI borrowers within each AA that are consistent with statewide lending levels.

### **Geographic Distribution**

BOW's geographic distribution of loans reflects good penetration throughout the New Mexico AAs.

### **Small Business Loans**

The geographic distribution of small business loans reflects good penetration throughout the New Mexico AAs. Table NM-10 on the following page shows the percentage of businesses, aggregate lending levels, and BOW's 2012 and 2013 lending levels by CT income level.

<b>Table NM-10 – Small Business Loan Geographic Distribution</b>						
CT Income Level	2013 D&B	2012 Aggregate Data	2012 Bank		2013 Bank	
	%	%	#	%	#	%
Low	6.3	6.3	16	5.4	26	9.7
Moderate	26.1	23.2	104	35.0	75	27.9
Middle	32.2	28.4	104	35.0	111	41.2
Upper	35.4	35.5	73	24.6	57	21.2
N/A	0.0	6.5	0	0.0	0	0.0
<b>Total</b>	<b>100.0</b>	<b>100.0</b>	<b>297</b>	<b>100.0</b>	<b>269</b>	<b>100.0</b>
<i>Source: 2013 D&amp;B, 2012 CRA Aggregate Data, 2012 and 2013 CRA LR</i> s						

In 2012, lending in low-income areas slightly lagged aggregate lending. In 2013, lending in the low-income CTs showed an increasing trend and was above the D&B data. In 2012, moderate-income area penetration levels were greater than the aggregate data. In 2013, BOW's performance declined, but it was comparable with the D&B data.

Tables NM-11 and NM-12 provide further delineation on the number and percentage of BOW's small business loans in LMI areas, compared to the aggregate lending and D&B data.

<b>Table NM-11 – Small Business Low-Income CT Penetration By AA</b>						
AA	2013 D&B	2012 Aggregate Data	2012 Bank		2013 Bank	
	%	%	#	%	#	%
Albuquerque MSA	6.0	6.4	12	4.4	25	10.0
Las Cruces MSA	7.9	6.3	4	17.4	1	5.6
<i>Source: 2013 D&amp;B, 2012 CRA Aggregate Data, 2012 and 2013 CRA LR</i> s						

<b>Table NM-12 – Small Business Moderate-Income CT Penetration By AA</b>						
AA	2013 D&B	2012 Aggregate Data	2012 Bank		2013 Bank	
	%	%	#	%	#	%
Albuquerque MSA	25.9	23.2	92	33.6	65	25.9
Las Cruces MSA	27.1	23.2	12	52.2	10	55.6
<i>Source: 2013 D&amp;B, 2012 CRA Aggregate Data, 2012 and 2013 CRA LR</i> s						

BOW's individual AA lending indicates bank performance that is similar to statewide lending. Although Albuquerque MSA lending in low-income CTs lagged aggregate performance in 2012, BOW significantly increased lending in low-income CTs in 2013. In the Las Cruces MSA, the bank's low-income CT lending was high in 2012, with a downward trend in 2013. However, BOW's lending in the Las Cruces moderate-income areas is consistently strong in 2012 and 2013.

## HMDA Loans

The geographic distribution of HMDA loans reflects good penetration throughout the New Mexico AA. Table NM-13 shows BOW's geographic distribution for HMDA loans for 2012 and 2013, which is compared against the percentage of owner-occupied housing units identified by the U.S. Census and the aggregate lending levels.

<b>Table NM-13 – HMDA Loan Geographic Distribution</b>						
<b>CT Income Level</b>	<b>Owner-Occupied Housing Units</b>	<b>2012 Aggregate Data</b>	<b>2012 Bank</b>		<b>2013 Bank</b>	
	<b>%</b>	<b>%</b>	<b>#</b>	<b>%</b>	<b>#</b>	<b>%</b>
Low	2.7	1.7	10	2.3	20	5.6
Moderate	27.7	15.8	97	22.0	69	19.4
Middle	32.4	32.6	149	33.8	129	36.2
Upper	37.2	49.9	185	41.9	138	38.8
N/A	0.0	0.0	0	0.0	0	0.0
<b>Total</b>	<b>100.0</b>	<b>100.0</b>	<b>441</b>	<b>100.0</b>	<b>356</b>	<b>100.0</b>
<i>Source: 2010 U.S. Census, 2012 HMDA Aggregate Data, 2012 and 2013 HMDA LARs</i>						

BOW HMDA lending in low-income areas exceeded the aggregate lending levels in 2012 and showed an increasing trend in 2013. In 2012, the bank's moderate-income performance also exceeded the aggregate data. The 2013 performance shows a downward trend and is below the percentage of owner-occupied housing units located in moderate-income CTs.

Tables NM-14 and NM-15 (on the following page) provide further delineation on the number and percentage of BOW HMDA loans for each individual AA in 2012 and 2013, which is compared against owner-occupied housing units and aggregate lending levels.

<b>Table NM-14 – HMDA Low-Income CT Penetration By AA</b>						
<b>AA</b>	<b>Owner-Occupied Housing Units</b>	<b>2012 Aggregate Data</b>	<b>2012 Bank</b>		<b>2013 Bank</b>	
	<b>%</b>	<b>%</b>	<b>#</b>	<b>%</b>	<b>#</b>	<b>%</b>
Albuquerque MSA	2.3	1.5	6	1.5	13	4.0
Las Cruces MSA	4.6	2.5	4	12.5	7	23.3
<i>Source: 2010 U.S. Census, 2012 HMDA Aggregate Data, 2012 and 2013 HMDA LARs</i>						

<b>Table NM-15 – HMDA Moderate-Income CT Penetration By AA</b>						
AA	Owner-Occupied Housing Units	2012 Aggregate Data	2012 Bank		2013 Bank	
	%	%	#	%	#	%
Albuquerque MSA	26.9	16.4	91	22.3	58	17.8
Las Cruces MSA	31.7	12.1	6	18.8	11	36.7
<i>Source: 2010 U.S. Census, 2012 HMDA Aggregate Data, 2012 and 2013 HMDA LARs</i>						

The number and percentage of BOW's HMDA loans in LMI areas varies by year and location, but generally reflects good penetration in LMI areas across each AA. The Las Cruces MSA lending in low-income areas is particularly high, compared to aggregate lending levels, and the percentage of owner-occupied housing units, while the Albuquerque MSA reflects good penetration levels in the state's largest residential lending market.

### **Record of Serving the Credit Needs of Highly Economically Disadvantaged**

BOW exhibits a good record of serving the credit needs of the most economically disadvantaged areas of its New Mexico AAs, low-income individuals, and very small businesses, consistent with safe and sound banking practices.

### **CD Loans**

BOW made an adequate level of CD loans in the New Mexico AA relative to its position as the third largest bank by deposits. Table NM-16 provides information on the number, amount, type, and location of CD loans made in New Mexico since the previous evaluation.

Table NM-16 – CD Lending												
Assessment Area	Total		Affordable Housing		Community Services		Economic Development		Revitalization or Stabilization		Neighborhood Stabilization	
	#	\$ (000)	#	\$ (000)	#	\$ (000)	#	\$ (000)	#	\$ (000)	#	\$ (000)
<b>2011</b>												
Albuquerque MSA	3	4,725	0	0	1	1,200	0	0	2	3,525	0	0
Las Cruces MSA	1	1,022	0	0	0	0	1	1,022	0	0	0	0
<b>Total NM – 2011</b>	<b>4</b>	<b>5,747</b>	<b>0</b>	<b>0</b>	<b>1</b>	<b>1,200</b>	<b>1</b>	<b>1,022</b>	<b>2</b>	<b>3,525</b>	<b>0</b>	<b>0</b>
<b>2012</b>												
Albuquerque MSA	5	12,674	0	0	1	1,116	1	300	4	11,258	0	0
Las Cruces MSA	0	0	0	0	0	0	0	0	0	0	0	0
<b>Total NM – 2012</b>	<b>5</b>	<b>12,674</b>	<b>0</b>	<b>0</b>	<b>1</b>	<b>1,116</b>	<b>1</b>	<b>300</b>	<b>4</b>	<b>11,258</b>	<b>0</b>	<b>0</b>
<b>2013</b>												
Albuquerque MSA	4	7,520	0	0	0	0	1	300	3	7,220	0	0
Las Cruces MSA	0	0	0	0	0	0	-	-	-	-	0	0
<b>Total NM – 2013</b>	<b>4</b>	<b>7,520</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>1</b>	<b>300</b>	<b>3</b>	<b>7,220</b>	<b>0</b>	<b>0</b>
<b>Grand Total</b>	<b>14</b>	<b>25,941</b>	<b>0</b>	<b>0</b>	<b>2</b>	<b>2,316</b>	<b>3</b>	<b>1,622</b>	<b>9</b>	<b>22,003</b>	<b>0</b>	<b>0</b>
Source: Bank records												

The dollar volume of CD loans originated in New Mexico is adequate at \$25.9 million. The bank's performance was impacted by the absence of affordable-housing-related CD loans and the single Las Cruces MSA loan originated during the evaluation period. A representative example of CD loans made by BOW includes the following:

- BOW made 2 loans totaling \$2.3 million to a non-profit company in Albuquerque that provides jobs and services for disabled individuals. The company reports that 85 percent of operating funds come from Medicaid and social services funds.
- BOW made a \$1.1 million loan to a company that helped to revitalize the City of Albuquerque's Downtown Metropolitan Redevelopment Area.

## INVESTMENT TEST

BOW's Investment Test rating is Low Satisfactory. The bank has an adequate level of qualified CD investments and grants, although rarely in a leadership position, particularly those not routinely provided by private investors. The institution investments and grants exhibit adequate responsiveness to support CD needs. The bank has a total of \$4.9 million in investments, all of which are affordable housing-related investments. The investments are comprised of 2 investments made in 2002, with a book value of \$3.7 million, and 1 new investment made in 2013 for \$1.3 million. The bank has increased donations from 83 donations totaling \$100,000 at the previous evaluation to 117 donations totaling \$396,000 at the current evaluation. The new investment of \$1.2 million is a LIHTC project, which reflects an occasional use of innovative and/or complex investments to support CD initiatives

Table NM-17 provides further information on the number, amount, type, and location of CD donations made since the previous evaluation.

<b>Table NM-17 – CD Donations</b>												
<b>Assessment Area</b>	<b>Total</b>		<b>Affordable Housing</b>		<b>Community Services</b>		<b>Economic Development</b>		<b>Revitalization or Stabilization</b>		<b>Neighborhood Stabilization</b>	
	<b>#</b>	<b>\$ (000)</b>	<b>#</b>	<b>\$ (000)</b>	<b>#</b>	<b>\$ (000)</b>	<b>#</b>	<b>\$ (000)</b>	<b>#</b>	<b>\$ (000)</b>	<b>#</b>	<b>\$ (000)</b>
<b>2011</b>												
Albuquerque MSA	33	107	4	6	24	63	5	38	0	0	0	0
Las Cruces MSA	4	4	0	0	4	4	0	0	0	0	0	0
<b>Total NM - 2011</b>	<b>37</b>	<b>111</b>	<b>4</b>	<b>6</b>	<b>28</b>	<b>67</b>	<b>5</b>	<b>38</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>2012</b>												
Albuquerque MSA	45	180	3	11	34	93	8	76	0	0	0	0
Las Cruces MSA	3	6	0	0	3	6	0	0	0	0	0	0
<b>Total NM - 2012</b>	<b>48</b>	<b>186</b>	<b>3</b>	<b>11</b>	<b>37</b>	<b>99</b>	<b>8</b>	<b>76</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>2013</b>												
Albuquerque MSA	28	93	0	0	23	70	5	24	0	0	0	0
Las Cruces MSA	4	6	0	0	4	6	0	0	0	0	0	0
<b>Total NM – 2013</b>	<b>32</b>	<b>100</b>	<b>0</b>	<b>0</b>	<b>27</b>	<b>76</b>	<b>5</b>	<b>24</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Grand Total</b>	<b>117</b>	<b>397</b>	<b>7</b>	<b>17</b>	<b>92</b>	<b>242</b>	<b>18</b>	<b>138</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<i>Source: Bank records</i>												

## SERVICE TEST

BOW is rated Low Satisfactory in the New Mexico Service Test. Delivery systems are reasonably accessible to essentially all portions of BOW's AAs. Services do not vary in a way that inconveniences certain portions of the AAs, particularly LMI geographies. BOW's record of opening and closing branches has adversely affected the accessibility of its delivery systems, particularly in LMI geographies. The bank provides an adequate level of CD services in New Mexico during the evaluation period.

### Accessibility of Delivery Systems

Delivery systems are reasonably accessible to essentially all portions of the institutions AA. BOW has a similar percentage of branches in LMI areas as other institutions in the market. The bank's branches are fairly similar to the percentage of households, families, and businesses.

Table NM-18 presents BOW's distribution of branches and ATMs, as well as the percentages of branches and demographic information by CT income levels in New Mexico.

<b>Table NM-18 – Branch Structure</b>					
<b>Branch and ATM Distribution</b>	<b>CT Income Level</b>				
	<b>Low</b>	<b>Moderate</b>	<b>Middle</b>	<b>Upper</b>	<b>Total</b>
Number of Branches as of March 3, 2014	2	8	8	8	26
Percentage of Branches	7.6	30.8	30.8	30.8	100.0
Number of ATMs as of March 3, 2014	3	8	8	8	27
Percentage of ATMs	11.2	29.6	29.6	29.6	100.0
<b>Comparisons</b>					
Percentage of Branches - All Institutions	7.4	35.8	28.4	28.4	100.0
Percentage of Households	5.6	30.0	31.9	32.4	100.0
Percentage of Families	4.3	30.1	31.2	34.4	100.0
Percentage of Businesses	6.3	26.1	32.2	35.4	100.0
<i>Source: Bank records, 2010 U.S. Census, 2013 D&amp;B, does not include 1 NA CT</i>					

Table NM-19 provides further delineation of BOW's branches in LMI areas compared to aggregate institutions in each AA.

<b>Table NM-19 – LMI CT Branch Distribution</b>				
<b>AA</b>	<b>Low-Income CTs</b>		<b>Moderate-Income CTs</b>	
	<b>Bank (%)</b>	<b>Aggregate (%)</b>	<b>Bank (%)</b>	<b>Aggregate (%)</b>
Albuquerque MSA	4.8	6.2	23.8	35.4
Las Cruces MSA	20.0	12.5	60.0	37.5
<i>Source: Bank records, 2012 Peer Deposit Data</i>				

BOW branches were reviewed on maps to ensure delivery system accessibility. The Albuquerque MSA AA has 199 CTs, with 10 or 5.0 percent in low-income CTs, and 55 or 27.6 percent in moderate-income CTs. BOW has the 3<sup>rd</sup> (tied) highest number of branches in the Albuquerque MSA with 11.4 percent of all branches as of June 30, 2013. BOW branches in the Albuquerque MSA represent a slightly lower percentage in low-income CTs than aggregate institutions and a smaller percentage than aggregate institutions in moderate-income CTs. A number of LMI areas in the Albuquerque MSA AA, especially those outside the downtown and central Albuquerque core, are less likely to have BOW branches. BOW has a strong market presence in LMI areas within the Las Cruces MSA.

### **Reasonableness of Business Hours and Services**

Services do not vary in a way that inconveniences certain portions of the AA, particularly LMI geographies or individuals. Branch hours do not significantly vary. A number of BOW's branches have extended Saturday hours, and this includes a mix of CTs across all income levels. BOW's services are available across all branches. BOW provides web banking, ATM access, various standard services, and a consumer loan center with full operator access (English and Spanish-speaking live telephone representatives with extended hours). The Spanish-speaking



representatives are important in New Mexico since it is a dual-language state due to the large population of Spanish-speaking residents.

### **Changes in Branch Locations**

BOW's record of opening and closing branches has adversely affected the accessibility of its delivery systems, particularly in LMI geographies. In 2012, BOW relocated one branch in the Albuquerque MSA within the same CT. In 2013, BOW closed two branches, one in a low-income CT and one in a middle-income CT. No new branches were opened during the evaluation period.

### **CD Services**

BOW provides an adequate level of CD services in New Mexico. Table NM-20 provides further information on the number, hours served, type, and location of services provided by BOW since the previous evaluation.

<b>Table NM-20 – CD Services</b>												
<b>Assessment Area</b>	<b>Total</b>		<b>Affordable Housing</b>		<b>Community Services</b>		<b>Economic Development</b>		<b>Revitalization or Stabilization</b>		<b>Neighborhood Stabilization</b>	
	<b>#</b>	<b>Hours</b>	<b>#</b>	<b>Hours</b>	<b>#</b>	<b>Hours</b>	<b>#</b>	<b>Hours</b>	<b>#</b>	<b>Hours</b>	<b>#</b>	<b>Hours</b>
<b>2011</b>												
Albuquerque MSA	43	150	0	0	30	106	13	44	0	0	0	0
Las Cruces MSA	1	2	0	0	1	2	0	0	0	0	0	0
<b>Total NM - 2011</b>	<b>44</b>	<b>152</b>	<b>0</b>	<b>0</b>	<b>31</b>	<b>108</b>	<b>13</b>	<b>44</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>2012</b>												
Albuquerque MSA	28	234	0	0	24	84	4	150	0	0	0	0
Las Cruces MSA	0	0	0	0	0	0	0	0	0	0	0	0
<b>Total NM - 2012</b>	<b>28</b>	<b>234</b>	<b>0</b>	<b>0</b>	<b>24</b>	<b>84</b>	<b>4</b>	<b>150</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>2013</b>												
Albuquerque MSA	49	175	0	0	13	82	36	93	0	0	0	0
Las Cruces MSA	0	0	0	0	0	0	0	0	0	0	0	0
<b>Total NM - 2013</b>	<b>49</b>	<b>175</b>	<b>0</b>	<b>0</b>	<b>13</b>	<b>82</b>	<b>36</b>	<b>93</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Grand Total</b>	<b>121</b>	<b>561</b>	<b>0</b>	<b>0</b>	<b>68</b>	<b>274</b>	<b>53</b>	<b>287</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<i>Source: Bank records</i>												

The number of hours provided for CD services by BOW declined slightly from the previous evaluation when 622 hours were reported. As noted above, BOW provides CD services in community services-related projects, as well as economic-development-related services. However, the vast majority of services are provided by branches in the Albuquerque MSA. BOW operates four branches in the Las Cruces MSA, but only provided two CD service hours in three years.

## ALBUQUERQUE MSA FULL-SCOPE EVALUATION

### SCOPE OF EXAMINATION

Examiners conducted a full-scope, off-site review of the Albuquerque MSA AA.

### DESCRIPTION OF THE ALBUQUERQUE MSA ASSESSMENT AREA

The Albuquerque MSA AA includes all 199 CTs in Bernalillo, Sandoval, and Valencia Counties. Table NM-21 provides demographic data for the Albuquerque AA.

Table NM-21 – Demographic Information for Albuquerque AA						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA % of #
CTs	199	5.0	27.6	35.7	31.2	0.5
Population by CT Income Level	870,694	4.5	30.9	33.8	30.8	0.0
Owner-Occupied Housing Units by CT Income Level	225,130	2.3	26.9	35.4	35.4	0.0
Businesses by CT Income Level	66,258	6.1	25.9	34.6	33.5	0.0
Families by Income Level	211,553	22.1	17.7	19.2	41.0	0.0
Families by CT Income Level	211,553	3.5	29.4	34.5	32.6	0.0
Median Family Income		\$62,763	Median Housing Value	\$195,429		
HUD Adjusted Median Family Income for 2013		\$62,900				
Households Below Poverty Level		14.2%				
Source: 2010 U.S. Census Data, 2013 D&B Data						

According to Moody's Analytics, The Albuquerque MSA is the primary economic and demographic driver for the state. The Albuquerque MSA represents approximately 43.0 percent of the state's population and 47.7 percent of its economic output. The largest local employers are the University of New Mexico (state government and education), Sandia National Laboratories (federal government), Presbyterian Healthcare Services (healthcare), Kirtland Air Force Base (federal government), and UNM Hospital (healthcare). Moody's reports that housing demand has finally been strong enough to materially push up housing prices, though prices are still down 14.0 percent from prerecession peaks. There has been an uptick in housing starts and construction jobs as a result of the increased housing demand in the Albuquerque MSA. Unemployment has steadily decreased from 2011 levels at 7.9 percent to 7.0 percent in 2013.

## **PERFORMANCE TEST CONCLUSIONS**

### **LENDING TEST**

A more in-depth borrower profile and geographic distribution review of loans originated in the Albuquerque MSA AA is presented below. Other Lending Test criteria are fully described in the Lending Test section of the statewide performance test conclusions. Both small business lending and residential home mortgage lending were given equal weight in assessing the Albuquerque MSA lending performance. Tables and data supporting the ratings are presented in the statewide performance test conclusions section.

#### **Borrower Profile**

BOW's distribution of borrowers in the Albuquerque MSA AA reflects, given the product lines offered by the institution, excellent penetration among retail customers of different income levels and business customers of different revenue sizes.

##### **Small Business Loans**

The bank has good small business loan penetration in the Albuquerque MSA. In 2012, the bank's performance in small business loans to businesses with GAR of \$1 million or less of 55.8 percent was higher than aggregate data of 43.7 percent. In 2013, BOW continued with a similar level of lending of 57.8 percent, but it was below the D&B data of 74.3 percent.

##### **HMDA Loans**

The bank has excellent HMDA loan penetration in the Albuquerque MSA AA. In 2012, BOW made 12.0 percent of its HMDA loans to low-income borrowers, which is significantly higher than the aggregate data of 6.6 percent. BOW's lending to moderate-income borrowers of 22.5 percent was also above the aggregate data of 15.5 percent. In 2013, these LMI lending levels continued or showed an increasing trend.

#### **Geographic Distribution**

BOW's distribution of loans reflects good penetration throughout the Albuquerque MSA AA.

##### **Small Business Loans**

The geographic distribution of small business loans reflects good penetration throughout the Albuquerque MSA AA. BOW's 2012 penetration in low-income CTs of 4.4 percent is below the aggregate data of 6.4 percent. In 2013, the bank significantly increased its lending in low-income CTS to 10.0 percent, which is above the D&B data of 6.0 percent. In 2012, BOW's penetration in moderate-income CTs of 33.6 percent is above the aggregate data of 23.2 percent. In 2013, the bank's performance in moderate-income CTs of 25.9 percent reflects a downward trend, but it is comparable with the D&B data.

### HMDA Loans

The geographic distribution of residential loans reflects good penetration throughout the Albuquerque MSA AA. In 2012, BOW had 1.5 percent of its HMDA loans in low-income CTs, which is the same level as the aggregate data. In 2013, BOW increased its penetration in low-income areas to 4.0 percent, which is above the demographic data. In 2012, BOW achieved stronger performance in its moderate-income areas of 22.3 percent, which is higher than the aggregate data of 16.4 percent. In 2013, BOW's penetration declined and is below the demographic data.

### **INVESTMENT TEST**

BOW's Investment Test performance in this AA is consistent with the institution's Investment Test performance in the state.

### **SERVICE TEST**

BOW's Service Test performance in this AA is consistent with the institution's Service Test performance in the state.

## **Limited-Scope AA Evaluations**

Data applicable to the limited-scope AAs indicates that performance is consistent with the institution's performance in the state. Demographic data regarding limited-scope AAs is located in Appendix F.

# NEBRASKA

*The Lending Test is rated:*                      *High Satisfactory*  
*The Investment Test is rated:*                *Outstanding*  
*The Service Test is rated:*                      *Low Satisfactory*

BOW's Nebraska CRA Rating is **Satisfactory**.

## SCOPE OF EXAMINATION AND DESCRIPTION OF OPERATIONS

Examiners conducted a full-scope, off-site evaluation of the bank's performance in the Nebraska Non-MSA AA. Examiners conducted an off-site, limited-scope review of the other AA. A review of FDIC records and the bank's CRA public file, revealed no CRA complaints since the previous evaluation in this area. BOW operates 19 branches within Nebraska. Refer to the Service Test portion of this evaluation for details regarding BOW's delivery systems and any changes that occurred over the review period.

## DESCRIPTION OF THE NEBRASKA ASSESSMENT AREA

The Nebraska AA is comprised of three AAs. The bulk of Nebraska branches and lending occurs in 12 counties within the Nebraska Non-MSA. The branches in the 12 rural counties collectively referred to as the Nebraska Non-MSA AA.

Table NE-1 details the counties that comprise the Nebraska AAs.

Table NE-1 – AA Composition, Branches, and ATMs					
AA	MSA or MD	MSA or MD #	Counties	Branches	ATMs
Nebraska Non-MSA	Nebraska Non-MSA	99999	Box Butte, Cherry, Dawes, Morrill, Sheridan, Lincoln, Buffalo, Hall, Madison, Platte, Dodge, Gage	14	12
Lincoln MSA	Lincoln MSA	30700	Lancaster	4	6
Sioux City MSA	Sioux City MSA	43580	Dakota	1	1
<b>Statewide</b>			<b>Total Branches/ATMs</b>	<b>19</b>	<b>19</b>
<i>Source: Bank records</i>					

Table NE-2 reflects the demographics of the Nebraska AAs combined.

Table NE-2 – Demographic Information						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA % of #
CTs	153	6.5	13.7	51.6	26.2	2.0
Population by CT Income Level	610,239	5.6	13.1	54.9	26.2	0.2
Owner-Occupied Housing Units by CT Income Level	156,026	2.2	9.2	57.9	30.7	0.0
Businesses by CT Income Level	59,938	3.5	13.5	54.2	28.6	0.2
Farms by Geography	5,399	0.4	5.4	60.1	34.1	0.0
Family by Income Level	153,399	18.4	18.3	23.5	39.8	0.0
Families by CT Income Level	153,399	3.7	11.4	56.0	28.9	0.0
Median Family Income		57,556	Median Housing Value		\$125,408	
HUD Adjusted Median Family Income for 2013		59,733				
Households Below Poverty Level		13.0%				
Source: 2010 U.S. Census Data, 2013 D&B Data						

According to Moody's Economy.com, Nebraska's expansion is slow and steady. Slower growth among private services outside of banking reported weaker job growth. The January 2013 business conditions index from the Creighton University Mid-American survey showed that although the state's manufacturing industry is expanding, increases in demand for Nebraska's manufactured products are slowing, especially for agricultural equipment. Canada and Mexico made up half of Nebraska's export demand, but this share shrunk in 2013, as the value of farm and food exports to Mexico declined. Nebraska experienced modest drop in house prices, combined with the slowest pace of residential construction in a decade, contributed to the state's shallow recession. The unemployment rate at 3.6 percent is 3 percentage points below the national average. However, a recent improvement in the rate is due to workers leaving the labor force rather than job gains. The top three employers in the State of Nebraska are Offutt Air Force Base, Alegent Health Inc., and Nebraska Medical Center employing 7,501, 7,501, and 5,001 employees, respectively.

### Community Contact Observations

Examiners conducted a community contact to help assess the AA's credit needs and evaluate the local economy and agricultural conditions. The area economy is largely agricultural, but the largest employers are the hospital and school district. Consequently, the drought conditions of the past few years have hurt the agricultural sector, forcing farmers to rely on crop insurance proceeds. In spite of the drought conditions, local agricultural operators appear successful, taking full advantage of any financial support programs provided by the federal government. CD activities are limited to stabilizing and maintaining the existing businesses. These programs have only been operating for a few years.

## STATEWIDE PERFORMANCE TEST CONCLUSIONS

### LENDING TEST

BOW's Lending Test performance is rated High Satisfactory. More weight is given to the borrower profile and geographic distribution of loans. HMDA lending performance is given the most weight, followed by small business and small farm lending.

#### Lending Activity

Overall, BOW's lending levels reflect good responsiveness to AA credit needs. Examiners reviewed the number and dollar volume of loans originated over the review period, as well as market share and market ranking figures for the primary loan categories. In 2012 and 2013, the bank originated 659 HMDA loans totaling \$60.0 million, 271 small business loans totaling \$12.9 million, and 176 small farm loans totaling \$12.1 million.

#### HMDA Loans

Table NE-3 details BOW's residential mortgage loan market ranking and market shares during 2012 by loan type in the Nebraska AA.

Table NE-3 – HMDA Loan Market Share			
AA	2012		Deposit Market Share %
	Rank (\$)	Market Share %	
All Nebraska AAs Combined	22 of 273	1.2	3.2
Nebraska Non-MSA	10 of 218	2.3	4.1
Lincoln MSA	28 of 233	0.5	1.8
Sioux City MSA	35 of 87	0.6	5.7
Source: 2012 CRA Aggregate Data and June 2013 FDIC Summary of Deposits			

Examiners reviewed HMDA loan market share and market ranking based on dollar volume rather than number of loans originated. BOW's HMDA lending levels reflect good responsiveness to AA credit needs in this saturated industry. BOW ranked a favorable 22<sup>nd</sup> out of 273 lenders in 2012.

#### Small Business Loans

Table NE-4 on the following page details BOW's small business loan market ranking and market shares during 2012 by loan type in the Nebraska AA.

<b>Table NE-4 – Small Business Loan and Deposit Market Shares</b>			
AA	2012		Deposit Market Share %
	Rank (\$)	Market Share %	
All Nebraska AAs Combined	21 of 58	0.8	3.2
Nebraska Non-MSA	21 of 46	1.6	4.1
Lincoln MSA	20 of 50	0.4	1.8
Sioux City MSA	12 of 23	3.0	5.7
<i>Source: 2012 CRA Aggregate Data and June 2013 FDIC Summary of Deposits</i>			

Examiners reviewed small business loan market share and market ranking data based on dollar volume rather than number of loans originated. Dollar volumes represent a more relevant comparison, because the market share data includes national credit card lenders. The credit card lenders report numerous small dollar loans that skew the market share ranking based on number of loans originated. Credit card lenders do not provide traditional small businesses loans in the same manner as BOW and its local competitors. BOW's small business lending levels reflect good responsiveness to AA credit needs in the highly competitive Nebraska banking environment. BOW ranked a favorable 21<sup>st</sup> out of 58 small business lenders in 2012.

Table NE-5 details BOW's small farm loan market ranking and market shares during 2012 by loan type in the Nebraska AA.

<b>Table NE-5 – Small Farm Loan Market Share</b>			
AA	2012		Deposit Market Share %
	Rank (\$)	Market Share %	
All Nebraska AAs Combined	8 of 27	2.5	3.2
Nebraska Non-MSA	8 of 25	2.1	4.1
Lincoln MSA	18 of 19	0.1	1.8
Sioux City MSA	0 of 0	0.0	5.7
<i>Source: 2012 CRA Aggregate Data and June 2013 FDIC Summary of Deposits</i>			

Examiners reviewed small farm loan market share and market ranking data based on dollar volume rather than number of loans originated. Dollar volumes represent a more relevant comparison. BOW's small farm lending levels reflect good responsiveness to AA credit needs in the limited competitive Nebraska banking environment for small farm loans. BOW ranked a favorable 8<sup>th</sup> out of 27 small farm lenders in 2012.

### **Borrower Profile**

The distribution of borrowers in Nebraska reflects, given the product lines offered by the institution, good penetration among retail customers of different income levels and business customers of different revenue sizes.



## HMDA Loans

The distribution of borrowers reflects good penetration among retail customers of different income levels.

Table NE-6 shows BOW's distribution of HMDA loans by borrower income in all Nebraska AAs combined.

<b>Table NE-6 – HMDA Loan Borrower Profile</b>						
<b>Borrower Income Level</b>	<b>2010 Census Families</b>	<b>2012 Aggregate Data</b>	<b>2012 Bank</b>		<b>2013 Bank</b>	
	<b>%</b>	<b>%</b>	<b>#</b>	<b>%</b>	<b>#</b>	<b>%</b>
Low	18.4	6.9	40	11.3	32	10.5
Moderate	18.3	16.5	71	20.1	59	19.3
Middle	23.5	21.7	100	28.3	93	30.5
Upper	39.8	35.5	129	36.4	114	37.4
Income Not Reported	0.0	19.4	14	3.9	7	2.3
<b>Total</b>	<b>100.0</b>	<b>100.0</b>	<b>354</b>	<b>100.0</b>	<b>305</b>	<b>100.0</b>
<i>Source: 2010 U.S. Census, 2012 HMDA Aggregate Data, 2012 and 2013 HMDA LARs</i>						

BOW achieved a good level of lending to LMI borrowers in the State of Nebraska. In 2012, BOW's lending activity to low-income borrowers (11.3 percent) exceeded aggregate lending data (6.9 percent). Lending to moderate-income borrowers (20.1 percent) also exceeded aggregate lending data (16.5 percent).

In 2013, the bank's lending activity to low-income borrowers (10.5 percent) reflected a slight downward trend from its 2012 performance, but is below the 2010 U.S. Census data of low-income families (18.4 percent). Lending to moderate-income borrowers (19.3 percent) is fairly comparable to the bank's 2012 moderate-income lending percentage (20.1 percent). Although the bank's 2013 lending percentage to moderate-income borrowers are slightly lower (19.3 percent), it exceeded the 2010 U.S. Census data of moderate-income families (18.3 percent).

Table NE-7 provides further detail into the level of BOW loans made to low-income borrowers across each AA.

<b>Table NE-7 – Low-Income Borrower Penetration Rate By AA</b>						
AA	2010 Census Families	2012 Aggregate Data	2012 Bank		2013 Bank	
	%	%	#	%	#	%
Nebraska Non-MSA	17.4	5.6	17	7.4	16	7.7
Lincoln MSA	18.4	7.5	22	18.0	15	16.5
Sioux City MSA	22.1	9.7	1	33.3	1	20.0
<i>Source: 2010 U.S. Census, 2012 HMDA Aggregate Data, 2012 and 2013 HMDA LARs</i>						

In 2012, BOW's loan penetration to low-income borrowers within each AA in Nebraska reflects good responsiveness in its two largest AAs (Nebraska Non-MSA and Lincoln MSA). A majority of the bank's HMDA loans are centered within the largest AAs. These AAs show strong lending performance when compared against the aggregate data. The good performance continues into 2013 with only a modest downward trend in the Lincoln MSA AA.

Table NE-8 provides further detail into the level of BOW loans made to moderate-income borrowers across each AA

<b>Table NE-8 –Moderate-Income Borrower Penetration Rate By AA</b>						
AA	2010 Census Families	2012 Aggregate Data	2012 Bank		2013 Bank	
	%	%	#	%	#	%
Nebraska Non-MSA	18.1	15.0	42	18.3	34	16.3
Lincoln MSA	18.3	17.0	28	22.9	23	25.3
Sioux City MSA	21.5	20.1	1	33.3	2	40.0
<i>Source: 2010 U.S. Census, 2012 HMDA Aggregate Data, 2012 and 2013 HMDA LARs</i>						

In 2012, BOW's good penetration to moderate-income borrowers in each AA exceeds the aggregate data. Additionally, the bank's penetration ratio to moderate-income borrowers showed an increasing trend in the AAs, except for the Nebraska Non-MSA AA, which trended slightly downward.

### Small Business Loans

The distribution of borrowers reflects excellent penetration among business customers of different revenue sizes.

Table NE-9 shows BOW's distribution of small business loans by borrower income in all Nebraska AAs combined.

<b>Table NE-9 – Small Business Loan Borrower Profile</b>						
<b>Gross Annual Revenues</b>	<b>2013 D&amp;B</b>	<b>2012 Aggregate Data</b>	<b>2012 Bank</b>		<b>2013 Bank</b>	
	<b>%</b>	<b>%</b>	<b>#</b>	<b>%</b>	<b>#</b>	<b>%</b>
≤ \$1 Million	72.4	31.0	101	85.6	121	79.1
> \$1 Million	4.5		17	14.4	20	13.1
Not Applicable	23.1		0	0.0	12	7.8
<b>Total</b>	<b>100.0</b>		<b>118</b>	<b>100.0</b>	<b>153</b>	<b>100.0</b>
<i>Source: 2013 D&amp;B, 2012 Aggregate Data, 2012 and 2013 CRA LRs</i>						

The 2012 performance to borrowers of GARs of \$1 million or less (85.6 percent) significantly exceeds the aggregate data (31.0 percent). Additionally, the 2013 penetration rate (79.1 percent) exceeds D&B data (72.4 percent).

Table NE-10 presents the rate of lending to businesses with GARs of \$1 million or less by AAs in Nebraska.

<b>Table NE-10 – Small Business Penetration Rate By AA</b>						
<b>AA</b>	<b>2013 D&amp;B</b>	<b>2012 Aggregate Data</b>	<b>2012 Bank</b>		<b>2013 Bank</b>	
	<b>%</b>	<b>%</b>	<b>#</b>	<b>%</b>	<b>#</b>	<b>%</b>
Nebraska Non-MSA	72.1	29.8	63	80.8	92	76.7
Lincoln MSA	72.7	33.2	33	94.3	29	90.6
Sioux City MSA	70.9	17.9	5	100.0	0	0.0
<i>Source: 2013 D&amp;B, 2012 Aggregate Data, 2012 and 2013 CRA LRs</i>						

In 2012, the bank's performance in all AAs was significantly above the aggregate data. In 2013, although the AA's performance shows a downward trend, both the Nebraska Non-MSA and Lincoln MSA AA's performance were above the D&B data. The lack of performance within the Sioux City MSA is reflective of a limited amount of small business loan production in that area.

### Small Farm Loans

The distribution of borrowers reflects excellent penetration among farm customers of different revenue sizes.

Table NE-11 shows BOW's distribution of small farm loans by borrower income in all Nebraska AAs combined.

<b>Table NE-11 – Small Farm Loan Borrower Profile</b>						
<b>Gross Annual Revenues</b>	<b>2013 D&amp;B</b>	<b>2012 Aggregate Data</b>	<b>2012 Bank</b>		<b>2013 Bank</b>	
	<b>%</b>	<b>%</b>	<b>#</b>	<b>%</b>	<b>#</b>	<b>%</b>
≤ \$1 Million	98.7	66.1	59	88.1	86	78.9
> \$1 Million	0.7		3	4.5	7	6.4
Not Applicable	0.6		5	7.4	16	14.7
<b>Total</b>	<b>100.0</b>		<b>67</b>	<b>100.0</b>	<b>109</b>	<b>100.0</b>
<i>Source: 2013 D&amp;B, 2012 Aggregate Data, 2012 and 2013 CRA LRs</i>						

In 2012, BOW's performance to small farm borrowers with GARs \$1 million or less (88.1 percent) significantly exceeds the aggregate data (66.1 percent). Additionally, the 2013 penetration rate trended downward (78.9 percent) and is below demographic data (98.7 percent).

Table NE-12 presents the rate of lending to small farm with GARs of \$1 million or less by AAs in Nebraska.

<b>Table NE-12 – Small Farm Penetration Rate By AA</b>						
<b>AA</b>	<b>2013 D&amp;B</b>	<b>2012 Aggregate Data</b>	<b>2012 Bank</b>		<b>2013 Bank</b>	
	<b>%</b>	<b>%</b>	<b>#</b>	<b>%</b>	<b>#</b>	<b>%</b>
Nebraska Non-MSA	98.6	65.6	58	87.9	86	78.9
Lincoln MSA	98.9	74.4	1	100.0	0	0.0
Sioux City MSA	100.0	34.8	0	0.0	0	0.0
<i>Source: 2013 D&amp;B, 2012 Aggregate Data, 2012 and 2013 CRA LRs</i>						

The bank's 2012 farm lending performance (87.9 percent) in the Nebraska Non-MSA exceeds aggregate data (65.5 percent). The bank's 2013 farm lending performance (78.9 percent) reflects a downward trend and is attributed to weaker demand for farming food products produced in Nebraska. As indicated above, small farm loans are given limited weight, as farm lending is concentrated in the rural areas of Nebraska. Therefore, in the urban areas of the Lincoln MSA and Sioux City MSA AAs, there are virtually no small farm lending noted. As such, the bank's performance in the Nebraska Non-MSA AA is consistent with the bank's performance at the statewide level.

### **Geographic Distribution**

The geographic distribution of loans reflects adequate penetration throughout the AAs.

## HMDA Loans

The geographic distribution of HMDA loans reflects an adequate penetration throughout the Nebraska AA. For comparison purposes, aggregate lending data as a percentage of the total number of loans and the percentage of owner-occupied housing units are shown.

Table NE-13 shows BOW's statewide geographic distribution for HMDA loans.

<b>Table NE-13 – HMDA Loan Geographic Distribution</b>						
<b>CT Income Level</b>	<b>Owner-Occupied Housing Units</b>	<b>2012 Aggregate Lending Data</b>	<b>2012 Bank</b>		<b>2013 Bank</b>	
	<b>%</b>	<b>%</b>	<b>#</b>	<b>%</b>	<b>#</b>	<b>%</b>
Low	2.2	2.1	2	0.6	2	0.7
Moderate	9.2	8.0	21	5.9	23	7.5
Middle	57.9	47.0	235	66.4	217	71.1
Upper	30.7	42.9	96	27.1	63	20.7
N/A	0.0	0.0	0	0.0	0	0.0
<b>Total</b>	<b>100.0</b>	<b>100.0</b>	<b>354</b>	<b>100.0</b>	<b>305</b>	<b>100.0</b>
<i>Source: 2010 U.S. Census, 2012 HMDA Aggregate Data, 2012 and 2013 HMDA LARs</i>						

In 2012, the bank's performance (0.6 percent) in low-income CTs is slightly below the aggregate lending data (2.1 percent). However, the bank's 2012 penetration in moderate-income CTs (5.9 percent) is below, but fairly comparable with the aggregate lending data (8.0 percent).

In 2013, the bank's lending in low-income geographies remained relatively unchanged (0.7 percent) and below the percentage of owner-occupied housing units (2.2 percent). Additionally, the bank's 2013 lending to moderate-income CTs (7.5 percent) trended upward, but is below the percentage of owner-occupied housing units (9.2 percent).

Table NE-14 shows the geographic distribution of HMDA loans in low-income CTs within each AA.

<b>Table NE-14 – HMDA Low-Income CT Penetration By AA</b>						
<b>AA</b>	<b>Owner-Occupied Housing Units</b>	<b>2012 Aggregate Lending Data</b>	<b>2012 Bank</b>		<b>2013 Bank</b>	
	<b>%</b>	<b>%</b>	<b>#</b>	<b>%</b>	<b>#</b>	<b>%</b>
Nebraska Non-MSA	0.0	0.0	0	0.0	0	0.0
Lincoln MSA	4.9	3.2	2	1.6	2	2.2
Sioux City MSA	0.0	0.0	0	0.0	0	0.0
<i>Source: 2010 U.S. Census, 2012 HMDA Aggregate Data, 2012 and 2013 HMDA LARs</i>						

The bank does not have any low-income CTs in the Nebraska Non-MSA and Sioux City MSA. In 2012, the Lincoln MSA's performance in low-income CTs (1.6 percent) is fairly comparable to the aggregate data (3.2 percent). In 2013, the bank's lending performance in the low-income CTs of Lincoln MSA showed lending performance that trends upwards (2.2 percent).

Table NE-15 shows the geographic distribution of HMDA loans in moderate-income CTs within each AA.

<b>Table NE-15 – HMDA Moderate-Income CT Penetration By AA</b>						
AA	Owner-Occupied Housing Units	2012 Aggregate Data	2012 Bank		2013 Bank	
	%	%	#	%	#	%
Nebraska Non-MSA	4.2	2.6	5	2.2	6	2.9
Lincoln MSA	14.0	6.9	15	12.3	16	17.6
Sioux City MSA	22.6	16.3	1	33.3	1	20.0
<i>Source: 2010 U.S. Census, 2012 HMDA Aggregate Data, 2012 and 2013 HMDA LARs</i>						

In 2012, BOW's HMDA performance in moderate-income CTs exceeded aggregate data in all AAs, except the Nebraska Non-MSA (2.2 percent), which is slightly below the aggregate data (2.6 percent). In 2013, the bank's lending in moderate-income CTs was mixed, where two AA showed an upward trend in the lending, while the Sioux City MSA showed a downward trend. The bank's 2013 performance is reasonably comparable with the owner-occupied housing units in the AAs.

#### Small Business Loans

The geographic distribution of small business loans reflects adequate penetration throughout the combined Nebraska AAs. For comparison purposes, the table includes aggregate lending data as a percentage of the total number of loans and the percentage of total businesses within the Nebraska AA.

Table NE-16 shows BOW's statewide geographic distribution for small business loans.

<b>Table NE-16 – Small Business Loan Geographic Distribution</b>						
<b>CT Income Level</b>	<b>2013 D&amp;B</b>	<b>2012 Aggregate Data</b>	<b>2012 Bank</b>		<b>2013 Bank</b>	
	<i>%</i>	<i>%</i>	<b>#</b>	<i>%</i>	<b>#</b>	<i>%</i>
Low	3.5	2.9	1	0.8	0	0.0
Moderate	13.5	12.5	15	12.7	24	15.7
Middle	54.2	47.9	77	65.3	100	65.4
Upper	28.6	27.2	25	21.2	29	18.9
N/A	0.2	9.5	0	0.0	0	0.0
<b>Total</b>	<b>100.0</b>	<b>100.0</b>	<b>118</b>	<b>100.0</b>	<b>153</b>	<b>100.0</b>
<i>Source: 2013 D&amp;B, 2012 Aggregate Data, 2012 and 2013 CRA LR's</i>						

In 2012, BOW's small business loan penetration to low-income CTs (0.8 percent) is below the aggregate data (2.9 percent). In addition, the bank's 2012 penetration to moderate-income CTs (12.7 percent) is comparable with the aggregate data (12.5 percent).

In 2013, the bank did not originate any loans in low-income CTs. However, the loan penetration in moderate-income geographies (15.7 percent) trended upward and exceeded D&B data (13.5 percent).

Table NE-17 shows the geographic distribution of small business loans in low-income CTs within each AA.

<b>Table NE-17 – Small Business Low-Income CT Penetration By AA</b>						
<b>AA</b>	<b>2013 D&amp;B</b>	<b>2012 Aggregate Data</b>	<b>2012 Bank</b>		<b>2013 Bank</b>	
	<i>%</i>	<i>%</i>	<b>#</b>	<i>%</i>	<b>#</b>	<i>%</i>
Nebraska Non-MSA	0.0	0.0	0	0.0	0	0.0
Lincoln MSA	7.9	6.9	1	2.9	0	0.0
Sioux City MSA	0.0	0.0	0	0.0	0	0.0
<i>Source: 2013 D&amp;B, 2012 Aggregate Data, 2012 and 2013 CRA LR's</i>						

The bank does not have any low-income CTs in the Nebraska Non-MSA and Sioux City MSA. In 2012, BOW's penetration in the Lincoln MSA (2.9 percent) is below the aggregate lending data (6.9 percent). In 2013, the bank did not originate any loans in the low-income CTs.

Table NE-18 shows the geographic distribution of Small Business loans in moderate-income CTs within each AA.

<b>Table NE-18 – Small Business Moderate-Income CT Penetration By AA</b>						
AA	2013 D&B	2012 Aggregate Data	2012 Bank		2013 Bank	
	%	%	#	%	#	%
Nebraska Non-MSA	5.5	4.9	2	2.6	6	5.0
Lincoln MSA	22.6	21.6	10	28.6	17	53.1
Sioux City MSA	25.2	19.4	3	60.0	1	100.0
<i>Source: 2013 D&amp;B, 2012 Aggregate Data, 2012 and 2013 CRA LR's</i>						

The performance in the moderate-income CTs exceeds aggregate in the Lincoln MSA AA and Sioux City MSA, but the bank's lending in the Nebraska Non-MSA (2.6 percent) is below and fairly comparable to the aggregate data (4.9 percent). In 2013, all AAs reflected a significant increase in lending volume and an upward trend in the bank's performance.

#### Small Farm Loans

The geographic distribution of small farm loans reflects good penetration throughout the combined Nebraska AAs. For comparison purposes, the table includes aggregate lending data as a percentage of the total number of loans and the percentage of total farms within the Nebraska AA.

Table NE-19 shows BOW's statewide geographic distribution for small farm loans.

<b>Table NE-19 – Small Farm Loan Geographic Distribution</b>						
CT Income Level	2013 D&B	2012 Aggregate Data	2012 Bank		2013 Bank	
	%	%	#	%	#	%
Low	0.4	0.0	0	0.0	0	0.0
Moderate	5.4	3.2	3	4.5	9	8.3
Middle	60.1	66.5	60	89.6	90	82.6
Upper	34.1	29.6	4	5.9	10	9.1
N/A	0.0	0.7	0	0.0	0	0.0
<b>Total</b>	<b>100.0</b>	<b>100.0</b>	<b>67</b>	<b>100.0</b>	<b>109</b>	<b>100.0</b>
<i>Source: 2013 D&amp;B, 2012 Aggregate Data, 2012 and 2013 CRA LR's</i>						

In 2012 and 2013, the bank did not originate any small farm loans in low-income CTs. This is reasonable due to the limited opportunities within this AA, as there are very few low-income CTs in the Nebraska AA. Furthermore, only 0.4 percent of farms are located in the low-income CTs and the aggregate lending data does not show any lending in this area. In 2012, lending in moderate-income CTs (4.5 percent) is above the aggregate lending data (3.2 percent).



In 2013, the bank's lending in moderate-income CTs (8.3 percent) shows an upward trend and performance that exceeds the D&B data (5.4 percent).

Table NE-20 shows the geographic distribution of small farm loans in low-income CTs within each AA.

<b>Table NE-20 – Small Farm Low-Income CT Penetration By AA</b>						
AA	2013 D&B	2012 Aggregate Data	2012 Bank		2013 Bank	
	%	%	#	%	#	%
Nebraska Non-MSA	0.0	0.0	0	0.0	0	0.0
Lincoln MSA	1.5	0.4	0	0.0	0	0.0
Sioux City MSA	0.0	0.0	0	0.0	0	0.0
<i>Source: 2013 D&amp;B, 2012 Aggregate Data, 2012 and 2013 CRA LR's</i>						

The bank does not have any low-income CTs in the Nebraska Non-MSA and Sioux City MSA. In 2012 and 2013, the table shows that BOW did not originate any loans in the Lincoln MSA.

Table NE-21 shows the geographic distribution of small farm loans in moderate-income CTs within each AA.

<b>Table NE-21 – Small Farm Moderate-Income CT Penetration By AA</b>						
AA	2013 D&B	2012 Aggregate Data	2012 Bank		2013 Bank	
	%	%	#	%	#	%
Nebraska Non-MSA	4.3	3.3	3	4.6	9	8.3
Lincoln MSA	8.1	2.9	0	0.0	0	0.0
Sioux City MSA	4.4	0.0	0	0.0	0	0.0
<i>Source: 2013 D&amp;B, 2012 Aggregate Data, 2012 and 2013 CRA LR's</i>						

In 2012 and 2013, the bank did not originate any small farm loans in the Lincoln and Sioux City MSA. In 2012, the bank's small farm lending in the moderate-income CTs (4.6 percent) is above the aggregate data (3.3 percent) in the Nebraska Non-MSA. In 2013, the bank's penetration shows an upward trend (8.3 percent) that is higher than the D&B data.

### **Record of Serving the Credit Needs of Highly Economically Disadvantaged**

BOW exhibits a good record of serving the credit needs of the most economically disadvantaged areas of its Nebraska AAs, low-income individuals, and very small businesses, consistent with safe and sound banking practices.

## CD Loans

BOW made a relatively high level of CD loans in the Nebraska AA, relative to its position in the state as the 8<sup>th</sup> largest bank in the Nebraska AA, with a market share of 3.2 percent in an AA with 224 institutions. The bank originated 7 CD loans totaling \$8.7 million since the previous evaluation. This represents 0.04 percent of the total dollar volume of the bank's CD lending activity. When adjusted for the difference in examination periods, the volume of loans showed a 16.3 percent increase from the previous evaluation. CD lending by dollar volume in Nebraska was concentrated in CD activities to revitalize or stabilize LMI tracts at 45.1 percent, with the remainder of the lending providing support for economic development at 41.5, and community service at 13.4 percent.

Table NE-22 details the bank's CD lending activity in Nebraska.

<b>Table NE-22 – CD Lending</b>												
AA	Total		Affordable Housing		Community Services		Economic Development		Revitalization or Stabilization		Neighborhood Stabilization	
	#	\$ (000)	#	\$ (000)	#	\$ (000)	#	\$ (000)	#	\$ (000)	#	\$ (000)
<b>2011</b>												
Nebraska Non-MSA	2	2,500	0	0	0	0	1	1,200	1	1,300	0	0
Lincoln MSA	0	0	0	0	0	0	0	0	0	0	0	0
Sioux City MSA	0	0	0	0	0	0	0	0	0	0	0	0
<b>Sub-Total</b>	<b>2</b>	<b>2,500</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>1</b>	<b>1,200</b>	<b>1</b>	<b>1,300</b>	<b>0</b>	<b>0</b>
<b>2012</b>												
Nebraska Non-MSA	2	2,500	0	0	0	0	1	1,200	1	1,300	0	0
Lincoln MSA	0	0	0	0	0	0	0	0	0	0	0	0
Sioux City MSA	0	0	0	0	0	0	0	0	0	0	0	0
<b>Sub-Total</b>	<b>2</b>	<b>2,500</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>1</b>	<b>1,200</b>	<b>1</b>	<b>1,300</b>	<b>0</b>	<b>0</b>
<b>2013</b>												
Nebraska Non-MSA	3	3,663	0	0	1	1,163	1	1,200	1	1,300	0	0
Lincoln MSA	0	0	0	0	0	0	0	0	0	0	0	0
Sioux City MSA	0	0	0	0	0	0	0	0	0	0	0	0
<b>Sub-Total</b>	<b>3</b>	<b>3,663</b>	<b>0</b>	<b>0</b>	<b>1</b>	<b>1,163</b>	<b>1</b>	<b>1,200</b>	<b>1</b>	<b>1,300</b>	<b>0</b>	<b>0</b>
<b>Grand Total</b>	<b>7</b>	<b>8,663</b>	<b>0</b>	<b>0</b>	<b>1</b>	<b>1,163</b>	<b>3</b>	<b>3,600</b>	<b>3</b>	<b>3,900</b>	<b>0</b>	<b>0</b>
<i>Source: Bank records</i>												

The following are two of the more notable CD loans originated by BOW during the review period:

- The bank renewed a \$1.3 million operating line of credit for agricultural purposes. The location of the operations is in a federally designated, underserved middle-income, non-metropolitan tract located in a rural area. The loan will help revitalizes or stabilizes a distressed and underserved area by retaining jobs to run farming operations.
- The bank renewed of a line of credit for \$1.2 million to fund leases. The project resides in an area federally designated as a distressed middle-income CT. This activity qualifies for the revitalization or destabilization of a distressed area since the business is being retained and is providing permanent jobs to LMI residents in the area.

## **INVESTMENT TEST**

BOW's Nebraska Investment Test rating is Outstanding. The bank has an excellent level of qualified CD investments and grants, often in a leadership position, particularly those that are not routinely provided by private investors. BOW exhibits an excellent responsiveness to credit and CD needs of the Nebraska AAs. The bank occasionally uses innovative or complex investments to support CD initiatives.

BOW holds 5 qualified investments purchased prior to the previous evaluation with, a current book value of \$4.7 million, and purchased 2 new qualifying investments during the evaluation period totaling \$7.0 million. Qualifying investments were made for affordable housing projects across the state, a specific CD need noted by a community contact.

Table NE-23 details the bank's qualified donations by type and category in Nebraska.

<b>Table NE-23 – CD Donations</b>												
<b>AA</b>	<b>Total</b>		<b>Affordable Housing</b>		<b>Community Services</b>		<b>Economic Development</b>		<b>Revitalization or Stabilization</b>		<b>Neighborhood Stabilization</b>	
	<b>#</b>	<b>\$ (000)</b>	<b>#</b>	<b>\$ (000)</b>	<b>#</b>	<b>\$ (000)</b>	<b>#</b>	<b>\$ (000)</b>	<b>#</b>	<b>\$ (000)</b>	<b>#</b>	<b>\$ (000)</b>
<b>2011</b>												
Nebraska Non-MSA	4	9	1	2	2	2	1	5	0	0	0	0
Lincoln MSA	2	2	0	0	2	2	0	0	0	0	0	0
Sioux City MSA	0	0	0	0	0	0	0	0	0	0	0	0
<b>Sub-Total</b>	<b>6</b>	<b>11</b>	<b>1</b>	<b>2</b>	<b>4</b>	<b>4</b>	<b>1</b>	<b>5</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>2012</b>												
Nebraska Non-MSA	20	32	5	6	14	21	1	5	0	0	0	0
Lincoln MSA	6	10	1	2	5	8	0	0	0	0	0	0
Sioux City MSA	1	2	0	0	0	0	0	0	1	2	0	0
<b>Sub-Total</b>	<b>27</b>	<b>44</b>	<b>6</b>	<b>8</b>	<b>19</b>	<b>29</b>	<b>1</b>	<b>5</b>	<b>1</b>	<b>2</b>	<b>0</b>	<b>0</b>
<b>2013</b>												
Nebraska Non-MSA	13	18	1	2	9	10	3	6	0	0	0	0
Lincoln MSA	4	8	0	0	4	8	0	0	0	0	0	0
Sioux City MSA	0	0	0	0	0	0	0	0	0	0	0	0
<b>Sub-Total</b>	<b>17</b>	<b>26</b>	<b>1</b>	<b>2</b>	<b>13</b>	<b>18</b>	<b>3</b>	<b>6</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Grand Total</b>	<b>50</b>	<b>81</b>	<b>8</b>	<b>12</b>	<b>36</b>	<b>51</b>	<b>5</b>	<b>16</b>	<b>1</b>	<b>2</b>	<b>0</b>	<b>0</b>
<i>Source: Bank records</i>												

The bank reported an increase in donations and grants from the \$23,000 reported at the previous evaluation. BOW's total qualified donations amounted to \$81,000 during the examination period. Qualified investments and donations covered the Nebraska AAs in a manner consistent with the bank's allocation of resources.

## SERVICE TEST

BOW is rated Low Satisfactory in the Nebraska Service Test. Delivery systems are accessible to essentially all portions of the Nebraska AAs. To the extent changes have been made, the institution has generally not adversely affected the accessibility of its delivery systems, particularly in LMI geographies and to LMI individuals. Services do not vary in a way that inconveniences portions of the Nebraska AAs, particularly LMI geographies or individuals. Finally, BOW provided an adequate level of CD services over the review period.

### Reasonableness of Business Hours and Services

Services do not vary in a way that inconveniences certain portions of the AAs, particularly in LMI geographies and/or individuals. BOW offers a full array of products and services and consistent business hours across AAs and CT income levels.

### Accessibility of Delivery Systems

Delivery systems are accessible to essentially all portions of the Nebraska AAs. Table NE-24 presents the BOW's distribution of branches and ATMs, as well as the percentages of branches and demographic information CT income levels in Nebraska.

Table NE-24 – Branch Structure						
Branch and ATM Distribution	CT Income Level					
	Low	Moderate	Middle	Upper	NA	Total
Number of Branches as of March 3, 2014	0	3	14	2	0	19
Percentage of Branches	0.0	15.8	73.7	10.5	0.0	100.0
Number of ATMs as of March 3, 2014	0	4	12	3	0	19
Percentage of ATMs	0.0	21.1	63.1	15.8	0.0	100.0
Comparisons						
Percentage of Branches - All Institutions	2.0	14.4	58.2	25.4	0.0	100.0
Percentage of Households	5.4	13.5	55.8	25.3	0.0	100.0
Percentage of Families	3.7	11.4	56.0	28.9	0.0	100.0
Percentage of Businesses	3.5	13.5	54.2	28.6	0.2	100.0
Source: Bank records, 2010 U.S. Census, 2013 D&B						

BOW does not operate any branches in low-income tracts. Also, only 2 percent of the competition has branches in low-income CTs. However, the bank has 3 moderate-income branches or 15.8 percent of BOW's branches in Nebraska. This percentage exceeds the competition, household, family, and business demographics of the AAs. The variance in branch by CT income level renders the delivery of services reasonably convenient for businesses and residents of LMI areas.

Table NE-25 presents the LMI tract penetration rates compared to the competition for each AA.

<b>Table NE-25 – LMI CT Branch Distribution</b>				
<b>AA</b>	<b>Low-Income CTs</b>		<b>Moderate-Income CTs</b>	
	<b>Bank (%)</b>	<b>Aggregate (%)</b>	<b>Bank (%)</b>	<b>Aggregate (%)</b>
Nebraska Non-MSA	0.0	0.0	0.0	6.3
Lincoln MSA	0.0	4.8	100.0	25.3
Sioux City MSA	0.0	0.0	50.0	11.1
<i>Source: Bank records, 2012 Peer Deposit Data</i>				

The Nebraska non-MSA and Sioux City MSA AAs do not contain low-income CTs. However, in the Lincoln MSA, the bank operates 50.0 percent of its branches in the area within the moderate-income geographies, which exceeds the competition of 25.3 percent. The Sioux City MSA has only one branch and it is in a moderate-income CT, which is substantially above the competition, which has 11.1 percent of branches in the same area. Furthermore, there are no moderate-income branches in Nebraska non-MSA.

### **Changes in Branch Locations**

To the extent changes have been made, the institution's opening and closing of branches has generally not adversely affected the accessibility of its delivery systems, particularly in LMI geographies or individuals. Since the previous evaluation, BOW has closed six branches in Nebraska. Two of the six branch closures were located in moderate-income CTs. However, BOW also opened a new branch located in the same county but in a different moderate-income CT.

### **CD Services**

BOW provides an adequate level of CD services in Nebraska. CD services increased from 66 hours reported at the previous evaluation to 199 hours at this evaluation. CD services are mostly provided in community services at 148 hours, followed by affordable housing at 39 hours, and economic development at 12 hours. Table NE-26 on the following page details the total number, hours, and type of CD services by AA.

Table NE-26 – CD Services												
AA	Total		Affordable Housing		Community Services		Economic Development		Revitalization or Stabilization		Neighborhood Stabilization	
	#	Hours	#	Hours	#	Hours	#	Hours	#	Hours	#	Hours
<b>2011</b>												
Nebraska Non-MSA	5	20	0	0	5	20	0	0	0	0	0	0
Lincoln MSA	0	0	0	0	0	0	0	0	0	0	0	0
Sioux City MSA	0	0	0	0	0	0	0	0	0	0	0	0
<b>Sub-Total</b>	<b>5</b>	<b>20</b>	<b>0</b>	<b>0</b>	<b>5</b>	<b>20</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>2012</b>												
Nebraska Non-MSA	27	77	1	20	26	57	0	0	0	0	0	0
Lincoln MSA	3	6	0	0	3	6	0	0	0	0	0	0
Sioux City MSA	0	0	0	0	0	0	0	0	0	0	0	0
<b>Sub-Total</b>	<b>30</b>	<b>83</b>	<b>1</b>	<b>20</b>	<b>29</b>	<b>63</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>2013</b>												
Nebraska Non-MSA	26	91	4	19	19	60	3	12	0	0	0	0
Lincoln MSA	5	5	0	0	5	5	0	0	0	0	0	0
Sioux City MSA	0	0	0	0	0	0	0	0	0	0	0	0
<b>Sub-Total</b>	<b>31</b>	<b>96</b>	<b>4</b>	<b>19</b>	<b>24</b>	<b>65</b>	<b>3</b>	<b>12</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Grand Total</b>	<b>66</b>	<b>199</b>	<b>5</b>	<b>39</b>	<b>58</b>	<b>148</b>	<b>3</b>	<b>12</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
Source: Bank records												

# NEBRASKA NON-MSA FULL-SCOPE EVALUATION

## SCOPE OF EXAMINATION

Examiners conducted a full-scope, off-site review of the Nebraska Non-MSA AA. This section of the evaluation represents a more in-depth borrower profile and geographic distribution review of loans originated than illustrated in the statewide AA analysis.

## DESCRIPTION OF THE NEBRASKA NON-MSA ASSESSMENT AREA

The counties that comprise this AA are detailed in the statewide description. Table NE-27 reflects the demographics of the AA.

Table NE-27 – Demographic Information for Nebraska Non-MSA AA						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA % of #
CTs	75	0.0	6.7	70.7	22.6	0.0
Population by CT Income Level	303,826	0.0	6.3	71.0	22.7	0.0
Owner-Occupied Housing Units by CT Income Level	81,634	0.0	4.2	71.4	24.4	0.0
Businesses by CT Income Level	31,632	0.0	5.4	71.8	22.8	0.0
Farms by Geographies	3,955	0.0	4.6	70.7	24.7	0.0
Families by Income Level	78,505	17.4	18.1	23.5	41.0	0.0
Families by CT Income Level	78,505	0.0	5.3	70.8	23.9	0.0
Median Family Income		71,705	Median Housing Value		\$107,814	
HUD Adjusted Median Family Income for 2013		72,900				
Households Below Poverty Level		9.0%				
Source: 2010 U.S. Census Data, 2013 D&B Data						

## PERFORMANCE TEST CONCLUSIONS

### LENDING TEST

A more in-depth borrower profile and geographic distribution review of loans originated in the Nebraska Non-MSA AA is presented below. Other Lending Test criteria are fully described in the Lending Test section of the statewide performance test conclusions. The greatest weight was given to the bank's HMDA lending performance, followed by small business and small farm lending. Data supporting the ratings are presented in the statewide performance test conclusions section.



## **Borrower Profile**

The distribution of borrowers reflects, given the product lines offered by the institution, good penetration among retail customers of different income-levels and business customers of different revenue sizes. This conclusion is consistent with the statewide performance.

### **HMDA Loans**

BOW's distribution of borrowers reflects good penetration among retail customers of different income levels in the Nebraska Non-MSA AA. BOW's 2012 loan penetration of 7.4 percent to low-income borrowers exceeds the aggregate data of 5.6 percent. Also in 2012, the bank's penetration of 18.3 percent to moderate-income borrowers exceeds aggregate data of 15.0 percent. In 2013, the bank's performance remained relatively stable to low-income borrowers of 7.7 percent, but trended slightly downward to 16.3 percent for moderate-income borrowers.

### **Small Business Loans**

The bank has excellent penetration in the Nebraska Non-MSA AA. In 2012, the bank's loan penetration of 80.8 percent to small businesses earning GARs of \$1 million or less was significantly higher than the aggregate data of 29.8 percent. In 2013, performance showed a slight downward trend to 76.7 percent.

### **Small Farm Loans**

The distribution of borrowers reflects excellent penetration among small farm customers of different sizes in the Nebraska Non-MSA AA. In 2012, BOW's loan penetration of 87.9 percent to small farms with GARs of \$1 million or less was significantly higher than the aggregate data of 65.6 percent. In 2013, the bank's loan performance trended downward to 78.9 percent.

## **Geographic Distribution**

The geographic distribution of loans reflects adequate penetration throughout the Nebraska Non-MSA AA. BOW's penetration in low-income CTs was not considered, as there are no low-income CTs within the AA.

### **HMDA Loans**

The geographic distribution of residential loans reflects adequate penetration throughout the Nebraska Non-MSA AA. In 2012, the performance in the moderate-income CTs (2.2 percent) is comparable with aggregate data (2.6 percent). In 2013, the moderate-income CT penetration (2.9 percent) shows an upward trend, but it is slightly below the demographics data (4.2 percent).

### **Small Business Loans**

The geographic distribution of small business loans reflects adequate penetration throughout the Nebraska Non-MSA AA. In 2012, BOW's performance in the moderate-income CTs (2.6

percent) is below the aggregate data (4.9 percent). In 2013, the performance in the moderate-income CTs (5.0 percent) trended upward and is comparable to the D&B data (5.5 percent).

### Small Farm Loans

The geographic distribution of small farm loans reflects good penetration throughout the Nebraska Non-MSA AA. In 2013, lending in the moderate-income CTs (4.6 percent) exceeds the aggregate data (3.3 percent). In 2013, the lending penetration in the moderate-income CTs (8.3 percent) reflects an upward trend and is above the D&B data (4.3 percent).

### **INVESTMENT TEST**

BOW's Investment Test performance in this AA is consistent with the institution's Investment Test performance in the state.

### **SERVICE TEST**

BOW's Service Test performance in this AA is consistent with the institution's Service Test performance in the state.

## **Limited-Scope AA Evaluations**

Data applicable to the limited-scope AAs indicates that performance is consistent with the institution's performance in the state. Demographic data regarding limited-scope AAs is located in Appendix F.

# **KANSAS**

*The Lending Test is rated:*                      *High Satisfactory*  
*The Investment Test is rated:*                *Outstanding*  
*The Service Test is rated:*                      *Low Satisfactory*

BOW's Kansas CRA Rating is **Satisfactory**.

## **SCOPE OF EXAMINATION AND DESCRIPTION OF OPERATIONS**

Examiners conducted a full-scope, off-site evaluation of the bank's performance in the Wichita MSA AA. Examiners conducted an off-site, limited-scope review of the one other AA. A review of FDIC records and the bank's CRA public file, revealed no CRA complaints since the previous evaluation in this area. BOW operates 13 branches within Kansas AAs. Refer to the Service Test portion of this evaluation for details regarding BOW's delivery systems and any changes that occurred over the review period.

## **DESCRIPTION OF THE KANSAS ASSESSMENT AREA**

Table KS-1 details the counties that comprise the Kansas AAs.

<b>Table KS-1 – AA Composition, Branches, and ATMs</b>					
<b>AA</b>	<b>MSA or MD</b>	<b>MSA or MD #</b>	<b>Counties</b>	<b>Branches</b>	<b>ATMs</b>
Wichita MSA	Wichita MSA	48620	Butler, Harvey, Sedgwick	7	7
Kansas Non-MSA	N/A	99999	Barton, Cowley, Finney, Ford, Pawnee, Reno	6	6
<b>Statewide</b>			<b>Total Branches/ATMs</b>	13	13
<i>Source: Bank records</i>					

Table KS-2 reflects the demographics of the combined Kansas AAs.

Table KS-2 – Demographic Information						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA % of #
CTs	200	6.5	29.0	40.5	24.0	0.0
Population by CT Income Level	805,022	4.9	26.2	42.5	26.4	0.0
Owner-Occupied Housing Units by CT Income Level	210,920	2.4	22.5	44.6	30.5	0.0
Businesses by CT Income Level	59,230	7.1	21.9	41.7	29.3	0.0
Farms by CT Income Level	4,120	0.8	9.1	65.7	24.4	0.0
Families by Income Level	204,112	20.0	18.7	21.8	39.5	0.0
Families by CT Income Level	204,112	3.8	24.4	42.9	28.9	0.0
Median Family Income		55,642	Median Housing Value	\$107,858		
HUD Adjusted Median Family Income for 2013		57,966				
Households Below Poverty Level		12.0%				
Source: 2010 U.S. Census Data, 2013 D&B Data						

In 2011, portions of Barton and Ford Counties were designated as distressed middle-income geographies due to population loss. According to the U.S. BLS, as of January 2014 the unemployment rate for Kansas was 5.4 percent, while the nationwide unemployment rate was 7.0 percent. According to the Kansas Department of Commerce, the statewide first quarter 2013 average monthly wage is \$3,236. The statewide highest monthly wages are earned in the management, utilities, and information industries. The highest average employment (ranked by number of jobs) is in government, healthcare and social assistance, manufacturing, and retail trade sectors. Lastly, according to the Kansas Department of Commerce, some of the largest employers in Kansas include Spirit AeroSystems (aviation manufacturer), Sprint (telecommunications), Cessna Aircraft (aviation manufacturer), General Motors (auto manufacturing), and United Parcel Service (package delivery and logistics).

### Community Contact Observations

A number of previously conducted community contacts were reviewed for the combined Kansas AAs. One of the contacts stated the economy is stable and another stated that it is doing fairly well. Several contacts stated that many residents of smaller communities commute to the metropolitan areas such as Wichita, Kansas, for employment. Another contact stated that in small rural communities, a declining population is normal, but they are also seeing an influx of people due to the oil industry. A contact stated that the economy is dependent on the aircraft industry, as they comprise a majority of the statewide employment. Another contact stated that their community is in need of more small businesses and restaurants. In regards to the housing economy, one contact stated that home values are good; however, there is not an adequate supply of housing for the community's needs. This same contact stated there are several low-income developments, but middle-income individuals lack the funds necessary for a down payment. All contacts stated that local financial institutions are meeting the credit needs of the area and had positive comments regarding these institutions. Overall, examiners determined that primary credit needs are home mortgage loans for LMI individuals and small business loans.

## **STATEWIDE PERFORMANCE TEST CONCLUSIONS**

### **LENDING TEST**

BOW's Lending Test performance is rated High Satisfactory. Based on the dollar volume of activity and the bank's business focus, small business lending performance is given the most weight, followed by HMDA and small farm lending. Examiners gave very little consideration to small farm lending because of the limited amount of originations during the review period.

### **Lending Activity**

Overall, BOW's lending levels reflect good responsiveness to AA credit needs. Examiners reviewed the number and dollar volume of loans originated over the review period as well as market share and market ranking figures for primary loan products to determine the bank's level of lending relative to AA credit needs. In 2012 and 2013, the bank originated 720 HMDA loans totaling \$73.4 million, compared to 314 small business loans totaling \$30.4 million and only 25 small farm loans totaling \$1.6 million.

Table KS-3, KS-4, and KS-5 detail BOW's loan market ranking and market shares during 2012 by loan type in the combined Kansas AAs and each individual AA. Aggregate small business, small farm, and HMDA data is not yet available for 2013. The greatest consideration is given to small business loans.

### Small Business Loans

As shown in Table KS-3, the bank is 8<sup>th</sup> overall out of 73 small business reporters in Kansas with 3.3 percent small business market share, as compared to 2.2 percent deposit market share. The Wichita MSA AA is similar to this statewide performance, and the Kansas Non-MSA AA shows a ranking of 6<sup>th</sup> out of 46 for 2.6 percent small business market share.

<b>Table KS-3 – Small Business Loan and Deposit Market Shares</b>			
<b>AA</b>	<b>2012</b>		<b>Deposit Market Share %</b>
	<b>Rank (\$)</b>	<b>Market Share %</b>	
All Kansas AAs Combined	8 of 73	3.3	2.2
Wichita MSA	8 of 66	3.2	1.7
Kansas Non-MSA	6 of 46	3.6	3.9
<i>Source: 2012 CRA Aggregate Data and June 2013 FDIC Summary of Deposits</i>			

### Small Farm Loans

As shown in Table KS-4, the bank is 10<sup>th</sup> overall out of 26 small farm reporters in Kansas with 2.1 percent small farm market share. The Wichita MSA AA shows a ranking of 8<sup>th</sup> out of only 19 small farm lenders for 0.8 market share, while the Kansas Non-MSA AA shows a ranking of 7<sup>th</sup> out of 21 for 3.0 percent small farm market share.

<b>Table KS-4 – Small Farm Loan Market Share</b>		
<b>AA</b>	<b>2012</b>	
	<b>Rank (\$)</b>	<b>Market Share %</b>
All Kansas AAs Combined	10 of 26	2.1
Wichita MSA	8 of 19	0.8
Kansas Non-MSA	7 of 21	3.0
<i>Source: 2012 CRA Aggregate Data</i>		

### HMDA Loans

As shown in Table KS-5, the bank is 16<sup>th</sup> overall out of 308 HMDA reporters in Kansas with 1.4 percent HMDA market share. The Wichita MSA AA shows a ranking of 22<sup>nd</sup> out of 290 HMDA lenders for 1.1 market share, while the Kansas Non-MSA AA shows a ranking of 7<sup>th</sup> out of 176 for 3.2 percent HMDA market share.

<b>Table KS-5 – HMDA Loan Market Share</b>		
<b>AA</b>	<b>2012</b>	
	<b>Rank (#)</b>	<b>Market Share %</b>
All Kansas AAs Combined	16 of 308	1.4
Wichita MSA	22 of 290	1.1
Kansas Non-MSA	7 of 176	3.2
<i>Source: 2012 HMDA Aggregate Data</i>		

### Borrower's Profile

The distribution of borrowers reflects, given the product lines offered by the institution, excellent penetration among business and farm customers of different revenue sizes and excellent penetration among retail customers of different income levels.

### Small Business Loans

The distribution of borrowers reflects excellent penetration among business customers of different revenue sizes. Table KS-6 shows BOW's distribution of small business loans by GARs in the combined Kansas AAs. The 2012 loan performance of 71.2 percent significantly exceeds the aggregate data of 29.7 percent. The 2013 loan penetration of 69.0 percent reflects a slight downward trend, but it is comparable to the D&B data of 70.2 percent.

Table KS-6 – Small Business Loan Borrower Profile						
GARs	2013 D&B	2012 Aggregate Data	2012 Bank		2013 Bank	
	%	%	#	%	#	%
≤ \$1 Million	70.2	29.7	111	71.2	109	69.0
> \$1 Million	4.9		40	25.6	46	29.1
Not Reported	24.9		5	3.2	3	1.9
<b>Total</b>	<b>100.0</b>		<b>156</b>	<b>100.0</b>	<b>158</b>	<b>100.0</b>
<i>Source: 2013 D&amp;B, 2012 CRA Aggregate Data, 2012 and 2013 CRA LR</i> s						

Table KS-7 presents the rate of lending to businesses with GARs of \$1 million or less by AAs in Kansas. The bank's 2012 small business lending significantly exceeds aggregate data in both AAs. Additionally, the bank's 2013 small business lending is in line with D&B data in the Wichita MSA AA and slightly below D&B data in the Kansas Non-MSA AA.

Table KS-7 – Small Business Penetration Rate By AA						
AA	2013 D&B	2012 Aggregate Data	2012 Bank		2013 Bank	
	%	%	#	%	#	%
Wichita MSA	70.0	31.2	87	71.3	85	72.6
Kansas Non-MSA	70.8	23.9	24	70.6	24	58.5
<i>Source: 2013 D&amp;B, 2012 CRA Aggregate Data, 2012 and 2013 CRA LR</i> s						

### Small Farm Loans

The distribution of borrowers reflects excellent penetration among farm customers of different revenue sizes. Table KS-8 shows BOW's distribution of small farm loans by GARs in the combined Kansas AAs. The 2012 performance of 75.0 percent significantly exceeds the aggregate data of 58.6 percent. In 2013, the loan penetration rate showed a significant increase, where 100.0 percent of the bank's loans were to small farms with GARs of \$1 million or less.

Table KS-8 – Small Farm Loan Borrower Profile						
GARs	2013 D&B	2012 Aggregate Data	2012 Bank		2013 Bank	
	%	%	#	%	#	%
≤ \$1 Million	98.1	58.6	9	75.0	13	100.0
> \$1 Million	1.3		2	16.7	0	0.0
Not Reported	0.6		1	8.3	0	0.0
<b>Total</b>	<b>100.0</b>		<b>12</b>	<b>100.0</b>	<b>13</b>	<b>100.0</b>
<i>Source: 2013 D&amp;B, 2012 CRA Aggregate Data, 2012 and 2013 CRA LR</i> s						



Table KS-9 presents the rate of lending to farms with GARs of \$1 million or less by AAs in Kansas. The bank's 2012 small farm lending significantly exceeds aggregate data in both AAs. Additionally, the bank's 2013 small farm lending is in line D&B data in both AAs.

<b>Table KS-9 – Small Farm Penetration Rate By AA</b>						
<b>AA</b>	<b>2013 D&amp;B</b>	<b>2012 Aggregate Data</b>	<b>2012 Bank</b>		<b>2013 Bank</b>	
	<b>%</b>	<b>%</b>	<b>#</b>	<b>%</b>	<b>#</b>	<b>%</b>
Wichita MSA	98.4	67.4	4	80.0	2	100.0
Kansas Non-MSA	97.9	51.5	5	71.4	11	100.0
<i>Source: 2013 D&amp;B, 2012 CRA Aggregate Data, 2012 and 2013 CRA LRs</i>						

### HMDA Loans

The distribution of borrowers reflects good penetration among retail customers of different income levels. Table KS-10 shows BOW's distribution of HMDA loans by borrower income in the combined Kansas AAs. In 2012, the bank's lending to low-income borrowers is comparable to the aggregate data and BOW's lending to moderate-income exceeds aggregate data. In 2013, the bank's lending to low-income borrowers increased, but is lower than the demographic data. In 2013, the bank's lending to moderate-income borrowers declined slightly, but is higher than demographic data.

<b>Table KS-10 – HMDA Loan Borrower Profile</b>						
<b>Borrower Income Level</b>	<b>2010 Census Families</b>	<b>2012 Aggregate Data</b>	<b>2012 Bank</b>		<b>2013 Bank</b>	
	<b>%</b>	<b>%</b>	<b>#</b>	<b>%</b>	<b>#</b>	<b>%</b>
Low	20.0	8.4	36	8.6	34	11.2
Moderate	18.7	17.2	94	22.5	64	21.1
Middle	21.8	22.1	117	28.1	81	26.8
Upper	39.5	35.4	153	36.7	113	37.3
Not Reported	0.0	16.9	17	4.1	11	3.6
<b>Total</b>	<b>100.0</b>	<b>100.0</b>	<b>417</b>	<b>100.0</b>	<b>303</b>	<b>100.0</b>
<i>Source: 2010 U.S. Census, 2012 HMDA Aggregate Data, and 2012, 2013 HMDA LARs</i>						

Tables KS-11 and KS-12 on the following page show BOW's loan penetration rates for LMI borrowers in each AA in Kansas. As shown in Table KS-11, the 2012 loan penetration rate of 9.6 percent to low-income borrowers exceeds aggregate data in the Wichita MSA AA. In 2013, the bank's penetration rate to low-income borrowers trended upward, but remains lower than the demographic data. The 2012 loan penetration rate to low-income borrowers in the Non-MSA AA is comparable to the aggregate data. In 2013, the bank's loan penetration rate increased, but remains much lower than the demographic data.

As shown in Table KS-12, the 2012 loan penetration rate of 19.9 percent to moderate-income borrowers exceeds the aggregate data in the Wichita MSA AA. In 2013, the bank's loan penetration rate to moderate-income borrowers increased and is higher than the demographic data. The 2012 loan penetration rate to moderate-income borrowers in the Non-MSA AA is much higher than the aggregate data; however, in 2013, HMDA lending reflects a downward trend and is below the demographic data.

<b>Table KS-11 – Low-Income Borrower Penetration Rate By AA</b>						
<b>AA</b>	<b>2010 Census Families</b>	<b>2012 Aggregate Data</b>	<b>2012 Bank</b>		<b>2013 Bank</b>	
	<b>%</b>	<b>%</b>	<b>#</b>	<b>%</b>	<b>#</b>	<b>%</b>
Wichita MSA	20.5	8.6	26	9.6	24	12.8
Kansas Non-MSA	18.6	7.0	10	6.9	10	8.7
<i>Source: 2010 U.S. Census, 2012 Aggregate Data, and 2012, 2013 HMDA LARs</i>						

<b>Table KS-12 – Moderate-Income Borrower Penetration Rate By AA</b>						
<b>AA</b>	<b>2010 Census Families</b>	<b>2012 Aggregate Data</b>	<b>2012 Bank</b>		<b>2013 Bank</b>	
	<b>%</b>	<b>%</b>	<b>#</b>	<b>%</b>	<b>#</b>	<b>%</b>
Wichita MSA	18.5	17.1	54	19.9	45	23.9
Kansas Non-MSA	19.0	17.7	40	27.4	19	16.5
<i>Source: 2010 U.S. Census, 2012 HMDA Aggregate Data, 2012 and 2013 HMDA LARs</i>						

### **Geographic Distribution**

The geographic distribution of loans reflects adequate penetration throughout the AAs.

#### **Small Business Loans**

The geographic distribution of small business loans reflects adequate penetration throughout the combined Kansas AAs. Table KS-13 on the following page shows the distribution of small business loans by the income category of CTs within the combined Kansas AAs. In 2012, BOW's performance in low-income CTs of 9.0 percent exceeds aggregate data of 8.4 percent. In 2013, BOW's performance in low-income CTs declined, but it is comparable with the demographic data. BOW's 2012 lending in moderate-income CTs of 17.3 percent is lower than the aggregate data of 22.0 percent; however, the 2013 lending performance of 19.6 percent shows an increasing trend, but it remains below the demographic data.

<b>Table KS-13 – Small Business Loan Geographic Distribution</b>						
<b>CT Income Level</b>	<b>2013 D&amp;B</b>	<b>2012 Aggregate Data</b>	<b>2012 Bank</b>		<b>2013 Bank</b>	
	<b>%</b>	<b>%</b>	<b>#</b>	<b>%</b>	<b>#</b>	<b>%</b>
Low	7.1	8.4	14	9.0	12	7.6
Moderate	21.9	22.0	27	17.3	31	19.6
Middle	41.7	36.7	58	37.2	61	38.6
Upper	29.3	28.2	57	36.5	54	34.2
N/A	0.0	4.7	0	0.0	0	0.0
<b>Total</b>	<b>100.0</b>	<b>100.0</b>	<b>156</b>	<b>100.0</b>	<b>158</b>	<b>100.0</b>
<i>Source: 2013 D&amp;B, 2012 CRA Aggregate Data, 2012 and 2013 CRA LRs</i>						

Tables KS-14 and KS-15 show BOW's small business loan penetration in the LMI CTs in the Kansas AAs. Table KS-14 shows that the Kansas Non-MSA AA does not have any low-income CTs; therefore, examiners only considered BOW's performance in the moderate-income CTs within this AA. The performance in LMI tracts in the Wichita MSA AA is consistent with the combined Kansas AA, presented in Table KS-13. BOW's performance in moderate-income CTs within the Kansas Non-MSA AA is better than the combined Kansas AA.

<b>Table KS-14 – Small Business Low-Income CT Penetration By AA</b>						
<b>AA</b>	<b>2013 D&amp;B</b>	<b>2012 Aggregate Data</b>	<b>2012 Bank</b>		<b>2013 Bank</b>	
	<b>%</b>	<b>%</b>	<b>#</b>	<b>%</b>	<b>#</b>	<b>%</b>
Wichita MSA	9.4	10.6	14	11.5	12	10.3
Kansas Non-MSA	0.0	0.0	0	0.0	0	0.0
<i>Source: 2013 D&amp;B, 2012 CRA Aggregate Data, 2012 and 2013 CRA LRs</i>						

<b>Table KS-15 – Small Business Moderate-Income CT Penetration By AA</b>						
<b>AA</b>	<b>2013 D&amp;B</b>	<b>2012 Aggregate Data</b>	<b>2012 Bank</b>		<b>2013 Bank</b>	
	<b>%</b>	<b>%</b>	<b>#</b>	<b>%</b>	<b>#</b>	<b>%</b>
Wichita MSA	21.9	22.9	20	16.4	22	18.8
Kansas Non-MSA	21.7	18.3	7	20.6	9	22.0
<i>Source: 2013 D&amp;B, 2012 CRA Aggregate Data, 2012 and 2013 CRA LRs</i>						

### Small Farm Loans

The geographic distribution of small farm loans reflects adequate penetration throughout the combined Kansas AAs. Table KS-16 on the following page shows the distribution of small farm loans by the income category of CTs within the combined Kansas AAs. As previously mentioned, the Kansas Non-MSA AA does not have any low-income CTs; therefore, examiners considered BOW's performance in moderate-income CTs only within this AA. In 2012, BOW

did not originate any loans in LMI CTs; however, aggregate data also shows no loans in low-income CTs and only 6.0 percent in moderate-income CTs. In 2013, BOW did not originate any loans in LMI CTs; however, demographic data shows that only 0.8 percent of farms are in low-income CTs and 9.1 percent of farms in moderate-income CTs. It should be noted that the bank only originated 12 loans in 2012 and 13 loans in 2013, which are very small numbers to conduct a meaningful analysis. Examiners considered both this low level of small farm loans originated (not the bank's primary business focus in these AAs), as well as the low percentage of LMI CTs in order to arrive at overall adequate performance in this area.

<b>Table KS-16 – Small Farm Loan Geographic Distribution</b>						
<b>CT Income Level</b>	<b>2013 D&amp;B</b>	<b>2012 Aggregate Data</b>	<b>2012 Bank</b>		<b>2013 Bank</b>	
	<b>%</b>	<b>%</b>	<b>#</b>	<b>%</b>	<b>#</b>	<b>%</b>
Low	0.8	0.0	0	0.0	0	0.0
Moderate	9.1	6.0	0	0.0	0	0.0
Middle	65.7	76.9	10	83.3	12	92.3
Upper	24.4	16.5	2	16.7	1	7.7
N/A	0.0	0.6	0	0.0	0	0.0
<b>Total</b>	<b>100.0</b>	<b>100.0</b>	<b>12</b>	<b>100.0</b>	<b>13</b>	<b>100.0</b>
<i>Source: 2013 D&amp;B, 2012 CRA Aggregate Data, 2012 and 2013 CRA LRs</i>						

Tables KS-17 and KS-18 show BOW's small farm loan penetration by AA and the conclusion is consistent with the combined Kansas AAs, presented in Table KS-16.

<b>Table KS-17 – Small Farm Low-Income CT Penetration By AA</b>						
<b>AA</b>	<b>2013 D&amp;B</b>	<b>2012 Aggregate Data</b>	<b>2012 Bank</b>		<b>2013 Bank</b>	
	<b>%</b>	<b>%</b>	<b>#</b>	<b>%</b>	<b>#</b>	<b>%</b>
Wichita MSA	1.5	0.0	0	0.0	0	0.0
Kansas Non-MSA	0.0	0.0	0	0.0	0	0.0
<i>Source: 2013 D&amp;B, 2012 CRA Aggregate Data, 2012 and 2013 CRA LRs</i>						

<b>Table KS-18 – Small Farm Moderate-Income CT Penetration By AA</b>						
<b>AA</b>	<b>2013 D&amp;B</b>	<b>2012 Aggregate Data</b>	<b>2012 Bank</b>		<b>2013 Bank</b>	
	<b>%</b>	<b>%</b>	<b>#</b>	<b>%</b>	<b>#</b>	<b>%</b>
Wichita MSA	8.5	3.2	0	0.0	0	0.0
Kansas Non-MSA	9.9	8.2	0	0.0	0	0.0
<i>Source: 2013 D&amp;B, 2012 CRA Aggregate Data, 2012 and 2013 CRA LRs</i>						

## HMDA Loans

The geographic distribution of HMDA loans reflects adequate penetration throughout the combined Kansas AAs. Table KS-19 shows the distribution of HMDA loans by the income category of CTs within these AAs. In 2012, BOW's lending performance in low-income CTs is below the aggregate data. In 2013, BOW's lending performance in low-income CTs showed an upward trend, but it is below the demographic data. In 2012, BOW's lending in moderate-income CTs is modestly lower than the aggregate data. In 2013, BOW's performance in moderate-income CTs shows an upward trend, but it remains lower than the demographic data.

<b>Table KS-19 – HMDA Loan Geographic Distribution</b>						
<b>CT Income Level</b>	<b>Owner-Occupied Housing Units</b>	<b>2012 Aggregate Data</b>	<b>2012 Bank</b>		<b>2013 Bank</b>	
	<b>%</b>	<b>%</b>	<b>#</b>	<b>%</b>	<b>#</b>	<b>%</b>
Low	2.4	1.2	2	0.5	3	1.0
Moderate	22.5	15.9	55	13.2	52	17.2
Middle	44.6	38.9	235	56.3	173	57.1
Upper	30.5	44.0	125	30.0	75	24.7
N/A	0.0	0.0	0	0.0	0	0.0
<b>Total</b>	<b>100.0</b>	<b>100.0</b>	<b>417</b>	<b>100.0</b>	<b>303</b>	<b>100.0</b>
<i>Source: 2010 U.S. Census, 2012 HMDA Aggregate Data, and 2012, 2013 HMDA LARs</i>						

Tables KS-20 and KS-21 show BOW's HMDA loan penetration in LMI CTs in the Wichita MSA AA. As previously stated, there are no low-income CTs within the Kansas Non-MSA AA. The performance in low-income CTs in the Wichita MSA AA is consistent with the combined Kansas AA, presented in Table KS-19. The bank's performance in moderate-income CTs in the Wichita MSA AA (shown in Table KS-21) shows mixed results. Specifically, regarding the bank's Wichita MSA moderate-income lending, 2012 lending exceeds aggregate and 2013 lending is in line with the demographics. Specifically, regarding the bank's Kansas Non-MSA moderate-income lending, 2012 lending is below aggregate and 2013 lending is below the demographics. However, both AAs have lending that is trending upwards in the moderate-income CTs.

<b>Table KS-20 – HMDA Low-Income CT Penetration By AA</b>						
<b>AA</b>	<b>Owner-Occupied Housing Units</b>	<b>2012 Aggregate Data</b>	<b>2012 Bank</b>		<b>2013 Bank</b>	
	<b>%</b>	<b>%</b>	<b>#</b>	<b>%</b>	<b>#</b>	<b>%</b>
Wichita MSA	3.3	1.4	2	0.7	3	1.6
Kansas Non-MSA	0.0	0.0	0	0.0	0	0.0
<i>Source: 2010 U.S. Census, 2012 HMDA Aggregate Data, 2012 and 2013 HMDA LARs</i>						

<b>Table KS-21 – HMDA Moderate-Income CT Penetration By AA</b>						
AA	Owner-Occupied Housing Units	2012 Aggregate Data	2012 Bank		2013 Bank	
	%	%	#	%	#	%
Wichita MSA	23.4	15.3	46	17.0	44	23.4
Kansas Non-MSA	19.9	19.0	9	6.2	8	7.0
<i>Source: 2010 U.S. Census, 2012 HMDA Aggregate Data, 2012 and 2013 HMDA LARs</i>						

### **Record of Serving the Credit Needs of Highly Economically Disadvantaged**

BOW exhibits a good record of serving the credit needs of the most economically disadvantaged areas of its combined Kansas AAs, low-income individuals, and very small businesses, consistent with safe and sound banking practices.

### **CD Loans**

BOW is a leader in making CD loans in the combined Kansas AAs relative to its position in the state as the 10<sup>th</sup> largest bank in the combined Kansas AAs. The bank originated 10 CD loans totaling nearly \$80.0 million since the previous evaluation. This represents 2.9 percent of the total dollar volume of the bank's CD lending activity, which is higher than the percentage of branches the bank operates in the AAs at 2.2 percent. When adjusted for the difference in examination periods, the dollar volume of loans substantially increased. Specifically, the bank originated 4 CD loans totaling \$6.1 million during the previous evaluation. BOW's CD lending in the combined Kansas AAs was concentrated in loans to revitalize or stabilize LMI or distressed tracts at 97.0 percent, and the remaining loans were for affordable housing at 3.0 percent.

Table KS-22 – CD Lending												
Assessment Area	Total		Affordable Housing		Community Services		Economic Development		Revitalization or Stabilization		Neighborhood Stabilization	
2011	#	\$ (000)	#	\$(000)	#	\$(000)	#	\$(000)	#	\$(000)	#	\$(000)
Wichita MSA	1	1,232	1	1,232	0	0	0	0	0	0	0	0
Kansas Non-MSA	4	15,000	0	0	0	0	0	0	4	15,000	0	0
Total KS – 2011	5	16,232	1	1,232	0	0	0	0	4	15,000	0	0
2012												
Wichita MSA	3	60,550	0	0	0	0	0	0	3	60,550	0	0
Kansas Non-MSA	1	2,000	0	0	0	0	0	0	1	2,000	0	0
Total KS – 2012	4	62,550	0	0	0	0	0	0	4	62,550	0	0
2013												
Wichita MSA	1	1,200	1	1,200	0	0	0	0	0	0	0	0
Kansas Non-MSA	0	0	0	0	0	0	0	0	0	0	0	0
Total KS – 2013	1	1,200	1	1,200	0	0	0	0	0	0	0	0
Grand Total	10	79,982	2	2,432	0	0	0	0	8	77,550	0	0
Source: Bank records												

Notable CD loans are shown below:

- BOW originated a \$13.5 million line of credit to support inventory levels for a company located on the border of a special redevelopment district. This loan will assist in continuing to revitalize and stabilize this moderate-income geography and retain permanent jobs for LMI residents.
- BOW originated a \$6 million loan to purchase inventory and supplies for a farm operation in a distressed, non-metropolitan, middle-income geography that also retains permanent jobs for LMI residents.

## INVESTMENT TEST

BOW's Investment Test rating is Outstanding. The bank has an excellent level of qualified CD investments and grants, often in a leadership position, particularly those that are not routinely provided by private investors. BOW's investments exhibit an excellent responsiveness to credit and community economic needs of the combined Kansas AAs. The bank makes significant use of innovative or complex investments to support CD initiatives. When compared to a peer institution for the CAAs, BOW's qualified investment activity by dollar volume is significantly higher.

BOW purchased 2 new qualifying investments totaling \$8.0 million. These LIHTC investments benefit the statewide area of Kansas. BOW holds 4 qualifying investments with a current book value of \$3.6 million that directly benefit the combined Kansas AAs. These prior period investments were LIHTCs and targeted mortgage-backed securities. Additionally, BOW made 49 qualifying donations totaling approximately \$160,500. BOW nearly doubled its dollar volume of qualifying investments and quadrupled its dollar volume of CD donations in the combined Kansas AAs since the previous evaluation. CD donations specifically benefiting the Wichita MSA AA and Kansas Non-MSA AA are detailed in Table KS-23 below.

<b>Table KS-23 – CD Donations</b>												
<b>Assessment Area</b>	<b>Total</b>		<b>Affordable Housing</b>		<b>Community Services</b>		<b>Economic Development</b>		<b>Revitalization or Stabilization</b>		<b>Neighborhood Stabilization</b>	
	<b>#</b>	<b>\$ (000)</b>	<b>#</b>	<b>\$ (000)</b>	<b>#</b>	<b>\$ (000)</b>	<b>#</b>	<b>\$ (000)</b>	<b>#</b>	<b>\$ (000)</b>	<b>#</b>	<b>\$ (000)</b>
<b>2011</b>												
Wichita MSA	7	23	1	1	5	22	0	0	1	1	0	0
Kansas Non-MSA	3	11	1	3	2	8	0	0	0	0	0	0
<b>Total KS - 2011</b>	<b>10</b>	<b>33</b>	<b>2</b>	<b>3</b>	<b>7</b>	<b>30</b>	<b>0</b>	<b>0</b>	<b>1</b>	<b>1</b>	<b>0</b>	<b>0</b>
<b>2012</b>												
Wichita MSA	13	78	2	2	11	76	0	0	0	0	0	0
Kansas Non-MSA	9	9	2	4	6	4	1	1	0	0	0	0
<b>Total KS - 2012</b>	<b>22</b>	<b>87</b>	<b>4</b>	<b>6</b>	<b>17</b>	<b>80</b>	<b>1</b>	<b>1</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>2013</b>												
Wichita MSA	11	32	1	1	10	31	0	0	0	0	0	0
Kansas Non-MSA	6	9	1	3	4	5	1	1	0	0	0	0
<b>Total KS – 2013</b>	<b>17</b>	<b>41</b>	<b>2</b>	<b>4</b>	<b>14</b>	<b>36</b>	<b>1</b>	<b>1</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Grand Total</b>	<b>49</b>	<b>160</b>	<b>8</b>	<b>12</b>	<b>38</b>	<b>145</b>	<b>2</b>	<b>2</b>	<b>1</b>	<b>1</b>	<b>0</b>	<b>0</b>
<i>Source: Bank records</i>												

Notable CD donations are shown below:

- BOW provided \$5,000 to support a program for low-income students, which teaches financial education by involving a structured curriculum of budgeting, credit, interest, investing, saving, and risk management.
- BOW provided \$2,500 to support an emergency crisis assistance program for LMI individuals, which extends emergency assistance with rent, utilities, vision, medical, clothing, furniture, household items, and many other requests.

## SERVICE TEST

BOW is rated Low Satisfactory in the Kansas Service Test. Services do not vary in a way that inconveniences certain portions of the combined Kansas AAs, particularly LMI geographies and individuals. Delivery systems are reasonably accessible to essentially all portions of the Kansas AA. BOW provided an adequate level of CD services over the review period. BOW's record of



opening and closing branches has generally not adversely affected the accessibility of its delivery systems.

### **Reasonableness of Business Hours and Services**

Services do not vary in a way that inconveniences certain portions of the AA, particularly LMI geographies or individuals. Branch hours do not significantly vary. Some BOW branches have extended Saturday hours, and this includes a mix of CTs across all income levels. All of BOW's services are available across all branches.

ATM machines are offered at every branch. Business hours at each branch are consistent for the most part, including offering Saturday hours at 12 of the 13 branches. The one branch without Saturday business hours is in a low-income tract; however, the branch offers extended drive-thru hours on Friday. Both branches in moderate-income tracts include Saturday hours and extended drive-thru hours on Friday.

### **Accessibility of Delivery Systems**

Delivery systems are reasonably accessible to essentially all portions of the combined Kansas AAs. BOW operates 13 branches in the combined Kansas AAs, where 7 branches are in the Wichita MSA AA and 6 branches are in the Kansas Non-MSA AA. BOW operates 13 branches in Kansas and Tables KS-24 and KS-25 evaluate the branch structure in the same manner as presented in previous states.

<b>Table KS-24 – Branch Structure</b>						
<b>Branch and ATM Distribution</b>	<b>CT Income Level</b>					
	<b>Low</b>	<b>Moderate</b>	<b>Middle</b>	<b>Upper</b>	<b>N/A</b>	<b>Total</b>
Number of Branches as of March 3, 2014	1	2	8	2	0	13
Percentage of Branches	7.7	15.4	61.5	15.4	0.0	100.0
Number of ATMs as of March 3, 2014	1	2	8	2	0	13
Percentage of ATMs	7.7	15.4	61.5	15.4	0.0	100.0
<b>Comparisons</b>						
Percentage of Branches - All Institutions	6.7	22.5	46.8	24.0	0.0	100.0
Percentage of Households	4.8	27.6	42.6	25.0	0.0	100.0
Percentage of Families	3.8	24.4	42.9	28.9	0.0	100.0
Percentage of Businesses	7.1	21.9	41.7	29.3	0.0	100.0
<i>Source: Bank records, 2010 U.S. Census, 2013 D&amp;B</i>						

BOW operates one branch in a low-income tract and operates two branches in moderate-income tracts. BOW's branch penetration in low-income areas is reasonable when compared to the competition, as well as the percentage of household, family, and business demographics of the AA. BOW's branch penetration in moderate-income areas compared to competition and demographics of the AA is somewhat lagging, since two branches were closed in moderate-income areas since the previous evaluation. In addition to these two closures, the remaining two branch closures impacted only middle-income areas. Additionally, a number of the remaining branches in middle- and upper-income tracts are adjacent to LMI areas. Given all of this

information, the closures generally have not adversely impacted businesses and residents of LMI areas.

Overall, the bank's performance in Table KS-25 shows that the Wichita MSA AA is better than the statewide conclusion shown in Table KS-24. However, the bank does not operate any branches in moderate-income tracts in the Kansas Non-MSA AA. As previously mentioned, a review of this area revealed that BOW's branches are generally located in close proximity to moderate-income areas.

<b>Table KS-25 – LMI CT Branch Distribution</b>				
<b>AA</b>	<b>Low-Income CTs</b>		<b>Moderate-Income CTs</b>	
	<b>Bank (%)</b>	<b>Aggregate (%)</b>	<b>Bank (%)</b>	<b>Aggregate (%)</b>
Wichita MSA	14.3	9.7	28.6	23.2
Kansas Non-MSA	0.0	0.0	0.0	21.0
<i>Source: Bank records, 2012 Peer Deposit Data</i>				

### **Changes in Branch Locations**

To the extent changes have been made, the institution's opening and closing of branches has generally not adversely affected the accessibility of its delivery systems, particularly in LMI geographies and/or to LMI individuals. In 2012, BOW did not open or close any branches in the combined Kansas AAs; however, it relocated the Great Bend full-service branch in Great Bend, Kansas (remains in middle-income tract). In 2013, BOW closed the following full-service branches: Kinsley branch in Kinsley, Kansas (moderate-income tract); and Lawrence branch in Lawrence, Kansas (middle-income tract). As a result of this closure, the bank no longer has a separate Lawrence MSA AA. In January 2014, BOW closed the following full-service branches: Ellinwood branch in Ellinwood, Kansas (middle-income tract); and El Dorado branch in El Dorado, Kansas (moderate-income tract). The El Dorado branch was located in the Wichita MSA AA. The branches closed in Ellinwood and Kinsley were located in the Kansas Non-MSA AA.

### **CD Services**

BOW provides an adequate level of CD services in Kansas as depicted in Table KS-26 on the following page. Over the review period, 10 different BOW employees provided 316 hours to 20 different organizations or entities. Since the previous evaluation, BOW has significantly improved its level of CD services in Kansas. However, no CD services were provided in the Kansas Non-MSA AA even though BOW operates six branches in this AA.

Table KS-26 – CD Services												
AA	Total		Affordable Housing		Community Services		Economic Development		Revitalization or Stabilization		Neighborhood Stabilization	
	#	Hours	#	Hours	#	Hours	#	Hours	#	Hours	#	Hours
<b>2011</b>												
Wichita MSA	4	65	0	0	4	65	0	0	0	0	0	0
Kansas Non-MSA	0	0	0	0	0	0	0	0	0	0	0	0
<b>Total KS - 2011</b>	<b>4</b>	<b>65</b>	<b>0</b>	<b>0</b>	<b>4</b>	<b>65</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>2012</b>												
Wichita MSA	6	117	0	0	6	117	0	0	0	0	0	0
Kansas Non-MSA	0	0	0	0	0	0	0	0	0	0	0	0
<b>Total KS - 2012</b>	<b>6</b>	<b>117</b>	<b>0</b>	<b>0</b>	<b>6</b>	<b>117</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>2013</b>												
Wichita MSA	10	134	0	0	10	134	0	0	0	0	0	0
Kansas Non-MSA	0	0	0	0	0	0	0	0	0	0	0	0
<b>Total KS – 2013</b>	<b>10</b>	<b>134</b>	<b>0</b>	<b>0</b>	<b>10</b>	<b>134</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Grand Total</b>	<b>20</b>	<b>316</b>	<b>0</b>	<b>0</b>	<b>20</b>	<b>316</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<i>Source: Bank records</i>												

As examples of notable CD services, employees serve on the board, executive committee, and as a board liaison to the Community Leadership Development Committee to provide technical assistance to an organization that provides necessary social and health services to LMI children.

# WICHITA MSA FULL-SCOPE EVALUATION

## SCOPE OF EXAMINATION

Examiners conducted a full-scope, off-site review of the Wichita MSA AA. This section of the evaluation represents a more in-depth borrower profile and geographic distribution review of loans originated than illustrated in the statewide AA analysis.

## DESCRIPTION OF THE WICHITA MSA ASSESSMENT AREA

The counties that comprise this AA are detailed in the statewide description. Table KS-27 reflects the demographics of the AA.

Table KS-27 – Demographic Information for Wichita AA						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA % of #
CTs	143	9.1	31.5	31.5	27.9	0.0
Population by CT Income Level	598,929	6.6	27.4	35.3	30.7	0.0
Owner-Occupied Housing Units by CT Income Level	156,185	3.3	23.4	37.6	35.7	0.0
Businesses by CT Income Level	45,009	9.4	22.0	34.5	34.1	0.0
Farms by CT Income Level	2,081	1.5	8.5	52.5	37.5	0.0
Families by Income Level	151,961	20.5	18.6	21.2	39.7	0.0
Families by CT Income Level	151,961	5.1	25.7	35.9	33.3	0.0
Median Family Income		61,850	Median Housing Value		\$115,965	
HUD Adjusted Median Family Income for 2013		63,200				
Households Below Poverty Level		12.0%				
Source: 2010 U.S. Census Data, 2013 D&B Data						

According to BLS, as of January 2014, the unemployment rate for the Wichita MSA was 6.2 percent, which is higher than the statewide unemployment rate. According to the Kansas Department of Commerce, the Wichita MSA 1<sup>st</sup> quarter 2013 average monthly wage is \$3,360, which is only slightly higher than the statewide wage of \$3,236. For the Wichita MSA, the highest monthly wages are earned in the management, utilities, and manufacturing industries.

## PERFORMANCE TEST CONCLUSIONS

### LENDING TEST

A more in-depth borrower profile and geographic distribution review of loans originated in the Wichita MSA AA is presented below. Other Lending Test criteria are fully described in the Lending Test section of the statewide performance test conclusions. The greatest weight was given to the bank's small business lending performance and then HMDA lending. Small farm

lending performance is considered; however, it receives very little weight because of the low volume of loans originated during the review period. Data supporting the ratings is also presented in the statewide performance test conclusions section.

### **Borrower's Profile**

The distribution of borrowers in the Wichita MSA AA reflects, given the product lines offered by the institution, excellent penetration among business and farm customers of different revenue sizes and excellent among retail customers of different income levels. This conclusion is consistent with the overall statewide conclusion.

#### **Small Business Loans**

The bank has excellent penetration in the Wichita MSA AA. In 2012, 71.3 percent of its loans were to businesses earning GARs of \$1 million or less compared to aggregate data of 31.2 percent. In 2013, the loan performance trended slightly upwards to 72.6 percent.

#### **Small Farm Loans**

The bank has excellent penetration in the Wichita MSA AA. In 2012, 80.0 percent of its loans were to farms earning GARs of \$1 million or less, compared to aggregate data of 67.4 percent. In 2013, performance trended significantly upward to 100.0 percent; however, there were only 2 loans made in 2013.

#### **HMDA Loans**

The bank has good penetration to HMDA borrowers in the Wichita MSA AA. In 2012, the loan penetration of 9.6 percent exceeds aggregate data of 8.6 percent for low-income borrowers. Additionally, loan penetration for moderate-income borrowers of 19.9 percent also exceeds aggregate data of 17.1 percent. In 2013, penetration for low-income borrowers increased; however, it remains lower than demographic data. Loan penetration for moderate-income borrowers also showed an increasing trend that exceeds demographic data.

### **Geographic Distribution**

BOW's geographic distribution of loans reflects adequate penetration throughout the Wichita MSA AA. This conclusion is consistent with the overall statewide conclusion.

#### **Small Business Loans**

The geographic distribution of small business loans reflects adequate penetration throughout the Wichita MSA AA. BOW's 2012 loan penetration of 11.5 percent in low-income CTs was above the aggregate data of 10.6 percent. In moderate-income CTs, the bank's loan penetration of 16.4 percent was below the aggregate data of 22.9 percent. In 2013, loan performance trended slightly downward in low-income CTs and slightly upward in moderate-income CTs.

### Small Farm Loans

The geographic distribution of small farm loans reflects adequate penetration throughout the Wichita MSA AA. It should be noted that the bank only originated 12 loans in 2012 and 13 loans in the entire state in 2013, which are very small numbers to conduct a meaningful analysis. Examiners considered both this low level of small farm loans originated (not the bank's primary business focus), as well as the low percentage of LMI CTs in order to arrive at overall adequate performance in this area.

### HMDA Loans

The geographic distribution of HMDA loans reflects adequate penetration throughout the Wichita MSA AA. BOW's 2012 loan penetration of 0.7 percent in low-income CTs is lower than the aggregate data of 1.4 percent. BOW's 2012 loan penetration rate of 17.0 percent in the moderate-income CTs was above the aggregate data of 15.3 percent. The 2013 loan performance in low-income CTs trended upward to 1.6 percent, but was below the demographic data. The 2013 loan performance in moderate-income CTs also trended upward to 23.4 percent and was comparable to the demographic data.

### **INVESTMENT TEST**

BOW's Investment Test performance in this AA is consistent with the institution's Investment Test performance in the state.

### **SERVICE TEST**

BOW's Service Test performance in this AA is consistent with the institution's Service Test performance in the state.

## **Limited-Scope AA Evaluations**

Data applicable to the limited-scope AA indicates that performance is consistent with the institution's performance in the state. Demographic data regarding limited-scope AAs is located in Appendix F.

# **KANSAS CITY MULTI-STATE MSA**

*The Lending Test is rated:*                      *High Satisfactory*  
*The Investment Test is rated:*                *Low Satisfactory*  
*The Service Test is rated:*                      *Low Satisfactory*

BOW's Kansas City Multi-State CRA Rating is **Satisfactory**.

## **SCOPE OF EXAMINATION AND DESCRIPTION OF OPERATIONS**

Examiners conducted a full-scope, off-site evaluation of the bank's performance in the Kansas City Multi-State MSA AA. A review of FDIC records and the bank's CRA public file, revealed no CRA complaints since the previous evaluation in this area. BOW operates 11 branches within the AA. Refer to the Service Test portion of this evaluation for details regarding BOW's delivery systems and any changes that occurred over the review period.

## **DESCRIPTION OF THE KANSAS CITY MULTI-STATE MSA ASSESSMENT AREA**

Table KC-1 details the counties that comprise the Kansas City Multi-State MSA AA.

<b>Table KC-1 – AA Composition, Branches, and ATMs</b>					
<b>AA</b>	<b>MSA or MD</b>	<b>MSA or MD #</b>	<b>Counties</b>	<b>Branches</b>	<b>ATMs</b>
Kansas City Multi-State MSA	Kansas City, MO-KS MSA	28140	Clay, Franklin, Jackson, Johnson, Platte	11	13
<i>Source: Bank records</i>					

Table KC-2 reflects the demographics of the AA.

Table KC-2 – KC Multi-State Demographic Information						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA % of #
CTs	398	12.6	21.4	30.4	33.4	2.2
Population by CT Income Level	1,555,590	8.0	20.2	34.1	37.7	0.0
Owner-Occupied Housing Units by CT Income Level	416,016	5.1	17.2	35.7	42.0	0.0
Businesses by CT Income Level	137,889	6.8	18.0	30.6	43.3	1.3
Families by Income Level	399,478	19.2	16.9	21.2	42.7	0.0
Families by CT Income Level	399,478	7.2	19.1	34.6	39.1	0.0
Median Family Income		69,313	Median Housing Value		\$169,303	
HUD Adjusted Median Family Income for 2013		71,200				
Households Below Poverty Level		10.0%				
Source: 2010 U.S. Census Data, 2013 D&B Data						

For the Kansas City Multi-State MSA refer to Kansas for the economic analysis.

### Community Contact Observations

A number of previously conducted community contacts were reviewed and comments included for this AA. One of the contacts stated that the economy is generally strong and the housing market is improving and home sales volume is increasing. This same contact stated that affordable housing is not sufficient and many home builders are constructing higher-end homes that are contributing to the lack of affordable housing. A different contact stated that affordable housing is not sufficient especially for LMI individuals. A contact stated that the healthcare industry remains one of the largest employers and this industry is strong. Another contact confirmed that the healthcare sector continues to be a major source of employment. The contact stated that some of the smallest businesses have difficulty accessing credit because of their size and market penetration. A contact stated the AA's primary credit needs are start-up and working capital financing for small businesses. Another contact stated that the community need is more affordable housing. All contacts stated that local financial institutions are meeting the credit needs of the AA and had positive comments regarding these institutions. Overall, examiners determined that primary credit needs are small business and home mortgage loans.

## **PERFORMANCE TEST CONCLUSIONS**

### **LENDING TEST**

BOW is rated High Satisfactory in the Lending Test. Small business lending performance was given the most weight, followed by HMDA lending in determining the conclusions. The bank did not originate any small farm loans during the review period.

### **Lending Activity**

Overall, BOW's lending levels reflect good responsiveness to AA credit needs. Examiners reviewed the number and dollar volume of loans originated over the review period, as well as market share and market ranking figures for the primary loan products to determine the bank's level of lending relative to the AA's credit needs. In 2012 and 2013, the bank originated 440 HMDA loans totaling \$138.0 million, compared to 559 small business loans totaling \$43.2 million, and only 3 small farm loans totaling \$84,000.

Tables KC-3 and KC-4 on the following page detail BOW's loan market ranking and market shares during 2012 by loan type in the Kansas City Multi-State MSA AA. Aggregate small business and HMDA data is not yet available for 2013. The greatest consideration is given to small business loans.



### Small Business Loans

As shown in Table KC-3, the bank is 16<sup>th</sup> overall out of 120 small business reporters in the multi-state area with 1.5 percent market share.

Table KC-3 – Small Business Loan and Deposit Market Shares			
AA	2012		Deposit Market Share %
	Rank (\$)	Market Share %	
Kansas City Multi-State MSA	16 of 120	1.5	0.9
Source: 2012 CRA Aggregate Data and June 2013 FDIC Summary of Deposits			

### HMDA Loans

As shown in Table KC-4, the bank is 61<sup>st</sup> overall out of 556 HMDA reporters in the multi-state area with only 0.3 percent market share.

Table KC-4 – HMDA Loan Market Share		
AA	2012	
	Rank (#)	Market Share %
Kansas City Multi-State MSA	61 of 556	0.3
Source: 2012 HMDA Aggregate Data		

### Borrower Profile

The distribution of borrowers in the Kansas City Multi-State MSA AA reflects, given the product lines offered by the institution, excellent penetration among business customers of different revenue sizes and retail customers of different income levels.

### Small Business Loans

The distribution of borrowers reflects excellent penetration among business customers of different revenue sizes. Table KC-5 shows BOW's distribution of small business loans by GARs in the AA. The 2012 performance of 67.6 percent significantly exceeds the aggregate data. The 2013 penetration rate trended downwards and lagged the D&B data, but still remained at a good level.

<b>Table KC-5 – KC Multi-State Small Business Loan Borrower Profile</b>						
<b>GARs</b>	<b>2013 D&amp;B</b>	<b>2012 Aggregate Data</b>	<b>2012 Bank</b>		<b>2013 Bank</b>	
	<b>%</b>	<b>%</b>	<b>#</b>	<b>%</b>	<b>#</b>	<b>%</b>
≤ \$1 Million	70.4	35.4	190	67.6	159	57.2
> \$1 Million	5.0		85	30.3	105	37.8
Not Reported	24.6		6	2.1	14	5.0
<b>Total</b>	<b>100.0</b>		<b>281</b>	<b>100.0</b>	<b>278</b>	<b>100.0</b>
<i>Source: 2013 D&amp;B, 2012 CRA Aggregate Data, 2012 and 2013 CRA LR's</i>						

### HMDA Loans

The distribution of borrowers reflects good penetration to customers of different income levels. Table KC-7 shows BOW's distribution of HMDA loans by borrower income in the AA. In 2012, the bank's LMI borrower lending exceeded the aggregate. In 2013, the bank had a slight downward trend to its low-income borrowers and similar performance of 21.6 percent to its moderate-income borrowers.

<b>Table KC-6 – KC Multi-State HMDA Loan Borrower Profile</b>						
<b>Borrower Income Level</b>	<b>2010 Census Families</b>	<b>2012 Aggregate Data</b>	<b>2012 Bank</b>		<b>2013 Bank</b>	
	<b>%</b>	<b>%</b>	<b>#</b>	<b>%</b>	<b>#</b>	<b>%</b>
Low	19.2	7.1	22	9.1	13	6.5
Moderate	16.9	15.7	52	21.6	43	21.6
Middle	21.2	19.9	59	24.5	46	23.1
Upper	42.7	37.0	102	42.3	73	36.7
Not Reported	0.0	20.3	6	2.5	24	12.1
<b>Total</b>	<b>100.0</b>	<b>100.0</b>	<b>241</b>	<b>100.0</b>	<b>199</b>	<b>100.0</b>
<i>Source: 2010 U.S. Census, 2012 HMDA Aggregate Data, and 2012, 2013 HMDA LARs</i>						

### Geographic Distribution

BOW's geographic distribution of loans reflects adequate penetration throughout the Kansas City Multi-State MSA AA.

### Small Business Loans

The geographic distribution of small business loans reflects adequate penetration throughout the Kansas City Multi-State MSA AA. Table KC-7 shows the distribution of small business loans by the income category of CTs within the AA. In 2012, BOW's performance in low-income CTs is below aggregate and demographic data. In 2013, BOW's performance in low-income CTs increased and is comparable to the D&B data. BOW's 2012 lending in moderate-income CTs is significantly above aggregate; however, it reflects a downward trend in 2013 and is below the D&B data.

<b>Table KC-7 – KC Multi-State Small Business Loan Geographic Distribution</b>						
<b>CT Income Level</b>	<b>2013 D&amp;B</b>	<b>2012 Aggregate Data</b>	<b>2012 Bank</b>		<b>2013 Bank</b>	
	<b>%</b>	<b>%</b>	<b>#</b>	<b>%</b>	<b>#</b>	<b>%</b>
Low	6.8	5.2	10	3.6	18	6.5
Moderate	18.0	17.7	78	27.7	42	15.1
Middle	30.6	28.2	87	31.0	96	34.5
Upper	43.3	43.8	97	34.5	116	41.7
N/A	1.3	5.1	9	3.2	6	2.2
<b>Total</b>	<b>100.0</b>	<b>100.0</b>	<b>281</b>	<b>100.0</b>	<b>278</b>	<b>100.0</b>
<i>Source: 2013 D&amp;B, 2012 CRA Aggregate Data, 2012 and 2013 CRA LR's</i>						

### HMDA Loans

The geographic distribution of HMDA loans reflects adequate penetration throughout the Kansas City Multi-State MSA AA. Table KC-8 shows the distribution of HMDA loans by the income category of CTs within the AA. In 2012, BOW's performance in low-income CTs is comparable to the aggregate data. In 2013, BOW's performance in low-income CTs is slightly lower than, but comparable to the demographic data. BOW's 2012 lending in moderate-income CTs is comparable the aggregate data. In 2013, BOW's performance in moderate-income CTs is relatively unchanged, but is below the demographic data.

<b>Table KC-8 – KC Multi-State HMDA Loan Geographic Distribution</b>						
<b>CT Income Level</b>	<b>Owner-Occupied Housing Units</b>	<b>2012 Aggregate Data</b>	<b>2012 Bank</b>		<b>2013 Bank</b>	
	<b>%</b>	<b>%</b>	<b>#</b>	<b>%</b>	<b>#</b>	<b>%</b>
Low	5.1	1.4	4	1.7	8	4.0
Moderate	17.2	10.0	26	10.8	20	10.1
Middle	35.7	32.0	104	43.1	82	41.2
Upper	42.0	56.6	107	44.4	89	44.7
N/A	0.0	0.0	0	0.0	0	0.0
<b>Total</b>	<b>100.0</b>	<b>100.0</b>	<b>241</b>	<b>100.0</b>	<b>199</b>	<b>100.0</b>
<i>Source: 2010 U.S. Census, 2012 HMDA Aggregate Data, and 2012, 2013 HMDA LARs</i>						

### **Record of Serving the Credit Needs of Highly Economically Disadvantaged**

BOW exhibits a good record of serving the credit needs of the most economically disadvantaged areas of its Kansas City Multi-State MSA AA, low-income individuals, and very small businesses, consistent with safe and sound banking practices.

### **CD Loans**

BOW has made a relatively high level of CD loans relative to its position in the multi-state area as the 24<sup>th</sup> largest bank in the Kansas City Multi-State MSA AA. The bank has a market share of 0.9 percent in the AA with 135 institutions, the top 10 of which have a combined market share of over 60.0 percent. The bank originated 17 CD loans totaling \$44.8 million since the previous evaluation. This represents 1.6 percent of the total dollar volume of the bank's CD lending activity, which is slightly less than the percentage of branches the bank operates in this AA at 1.9 percent. When adjusted for the difference in examination periods, the dollar volume of loans showed a 47.4 percent increase and the number of loans quadrupled. When compared to a peer institution for this AA, with a slightly lower branch presence, BOW originated a similar number and dollar amount of CD loans in this AA. BOW's CD lending in the Kansas City Multi-State MSA AA was concentrated with 81.9 percent of all CD lending dollars in areas to revitalize or stabilize LMI tracts. The remaining CD dollars were for community services targeted to LMI individuals at 8.9 percent, economic development at 5.5 percent, and provide support for LMI affordable housing needs at 3.7 percent.

Notable CD loans are shown below:

- BOW originated a \$1.1 million loan to refinance tenant buildings located in a moderate-income geography and adjacent to LMI geographies.
- BOW originated a \$1.3 million loan to refinance 2 commercial buildings in an enterprise zone and adjacent to LMI geographies. These commercial buildings include approximately 15 business tenants that employ a number of LMI individuals.

## INVESTMENT TEST

BOW's Investment Test rating is Low Satisfactory. BOW has an adequate level of qualified CD investments and grants, particularly those that are not routinely provided by private investors, although rarely in a leadership position. The institution exhibits an adequate responsiveness to credit and CD needs, which is driven by qualifying donation activity and prior period investments. BOW makes occasional use of innovative or complex investments to support CD initiatives. When compared to a peer institution for this AA, with a slightly lower branch presence, BOW's qualified investment activity is significantly lower in this AA.

BOW's prior period investments for this AA include the following: 3 prior period qualifying investments totaling \$277,164 that directly benefit this AA; 6 qualifying investments totaling \$1.6 million that benefit the broader statewide area of Kansas; and 1 qualifying investment totaling \$381,967 that benefits the broader statewide area of Missouri. These prior period qualifying investments were targeted mortgage-backed securities and low-income housing tax credits. Additionally, BOW made 45 qualifying donations totaling approximately \$134,800. BOW has significantly improved its level of qualifying CD donations provided in this AA; however, no new qualified investments were purchased in this AA over the review period.

Donations have been targeted to non-profit organizations within this AA. This is evidenced by the significant increase in the number and volume of donations since the previous evaluation. CD donations specifically benefiting the Kansas City Multi-State MSA AA are detailed in Table KC-9.

Table KC-9 – CD Donations												
Assessment Area	Total		Affordable Housing		Community Services		Economic Development		Revitalization or Stabilization		Neighborhood Stabilization	
	#	\$ (000)	#	\$ (000)	#	\$ (000)	#	\$ (000)	#	\$ (000)	#	\$ (000)
<b>2011</b>												
Kansas City Multi-State MSA	8	27	1	5	7	22	0	0	0	0	0	0
<b>2012</b>												
Kansas City Multi-State MSA	15	45	2	10	12	32	1	3	0	0	0	0
<b>2013</b>												
Kansas City Multi-State MSA	22	63	0	0	21	60	1	3	0	0	0	0
<b>Grand Total</b>	<b>45</b>	<b>135</b>	<b>3</b>	<b>15</b>	<b>40</b>	<b>114</b>	<b>2</b>	<b>6</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<i>Source: Bank records</i>												

Notable CD donations are shown below:

- BOW donated \$2,000 to support an organization that provides basic healthcare products to food and homeless shelters and organizations that exclusively serve LMI individuals.
- BOW donated \$1,000 to support a non-profit organization that provides an after school program to a school with primarily LMI students.

## SERVICE TEST

BOW is rated Low Satisfactory in the Kansas City Multi-State Service Test. Overall, BOW's record of opening and closing branches has generally not adversely affected the accessibility of its delivery systems. Services do not vary in a way that inconveniences certain portions of the Kansas City Multi-State MSA AA, particularly LMI geographies and individuals. However, delivery systems are accessible to limited portions of the AA (refer to the discussion below for details). BOW provided an adequate level of CD services over the review period.

### Reasonableness of Business Hours and Services

Services do not vary in a way that inconveniences certain portions of the AA, particularly LMI geographies and individuals. ATM machines are offered at every branch and there are two additional ATMs in the AA, but they are located in middle-income tracts. Business hours at each branch are generally consistent, including offering Saturday hours.

### Accessibility of Delivery Systems

Delivery systems are accessible to limited portions of the institution's Kansas City Multi-State MSA AA. BOW operates 11 branches in the Kansas City Multi-State MSA. Table KC-10 evaluates the branch structure in the same manner as presented in previous states.

Table KC-10 – Branch Structure						
Branch and ATM Distribution	CT Income Level					
	Low	Moderate	Middle	Upper	N/A	Total
Number of Branches as of March 3, 2014	0	1	7	3	0	11
Percentage of Branches	0.0	9.1	63.6	27.3	0.0	100.0
Number of ATMs as of March 3, 2014	0	1	9	3	0	13
Percentage of ATMs	0.0	7.7	69.2	23.1	0.0	100.0
Comparisons						
Percentage of Branches - All Institutions	5.7	18.6	34.9	40.3	0.5	100.0
Percentage of Households	8.4	21.9	34.8	34.9	0.0	100.0
Percentage of Families	7.2	19.1	34.6	39.1	0.0	100.0
Percentage of Businesses	6.8	18.0	30.6	43.3	1.3	100.0
Source: Bank records, 2010 U.S. Census, 2013 D&B						

BOW does not operate any branches in low-income tracts and only one branch in a moderate-income tract. Additionally, the branch in a moderate-income tract is located on the far edge of this tract adjacent to a middle-income tract. Compared to the competition, as well as the

percentage of households, families, and businesses of the AA, BOW does not penetrate LMI areas with branches to a reasonable degree. The variance in branches by CT income level renders the delivery of services inconvenient for businesses and residents of LMI areas. Of the remaining 10 branches in middle- and upper-income tracts, a few of these tracts are adjacent to LMI tracts.

### **Changes in Branch Locations**

BOW's record of opening and closing branches has generally not affected the accessibility of its delivery systems. In 2012, BOW closed the following full-service branches: Hy-Vee branch in Lee's Summit, Missouri (middle-income tract); Hy-Vee branch in Overland Park, Kansas (middle-income tract); and Barry Road branch in Kansas City, Missouri (upper-income tract). In 2013, BOW closed the following full-service branches: Hy-Vee branch in Leawood, Kansas (upper-income tract); West 87<sup>th</sup> Street branch in Lenexa, Kansas (middle-income tract); Hy-Vee branch in Belton, Missouri (moderate-income tract); Lakewood branch in Lee's Summit, Missouri (upper-income tract); Hy-Vee branch in Overland Park, Kansas (upper-income tract); and Hy-Vee branch in Gladstone, Missouri (middle-income tract). In January 2014, BOW closed one full-service Hy-Vee branch in Shawnee, Kansas (middle-income tract).

In 2013, BOW opened one full-service branch on Blue Valley Parkway in Overland Park, Kansas (middle-income tract).

### **CD Services**

BOW provides an adequate level of CD services in the Kansas City Multi-State MSA AA. Over the review period, 7 different BOW employees provided 63 hours to 7 different organizations or entities. Since the previous evaluation, BOW has improved its level of CD services in this AA. Table KC-11 on the following page details the services.

Table KC-11 – CD Services												
Assessment Area	Total		Affordable Housing		Community Services		Economic Development		Revitalization or Stabilization		Neighborhood Stabilization	
	#	\$ (000)	#	\$ (000)	#	\$ (000)	#	\$ (000)	#	\$ (000)	#	\$ (000)
<b>2011</b>												
Kansas City Multi-State MSA	0	0	0	0	0	0	0	0	0	0	0	0
<b>2012</b>												
Kansas City Multi-State MSA	6	17	0	0	6	17	0	0	0	0	0	0
<b>2013</b>												
Kansas City Multi-State MSA	5	46	0	0	5	46	0	0	0	0	0	0
<b>Grand Total</b>	<b>11</b>	<b>63</b>	<b>0</b>	<b>0</b>	<b>11</b>	<b>63</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<i>Source: Bank records</i>												

A notable example of CD services in this area is that employees provide technical assistance to a non-profit that provides living assistance to low-income individuals and financial services for organizations that provide affordable housing to LMI individuals.



# WYOMING

*The Lending Test is rated:*                      *High Satisfactory*  
*The Investment Test is rated:*                *High Satisfactory*  
*The Service Test is rated:*                      *Needs to Improve*

BOW's Wyoming CRA Rating is **Satisfactory**.

## SCOPE OF EXAMINATION AND DESCRIPTION OF OPERATIONS

Examiners conducted a full-scope, off-site evaluation of the bank's performance in the Wyoming Non-MSA AA. Examiners conducted off-site, limited-scope reviews of the two other AAs. A review of FDIC records and the bank's CRA public file, revealed no CRA complaints since the previous evaluation in this area. BOW operates 24 branches within Wyoming. Refer to the Service Test portion of this evaluation for details regarding BOW's delivery systems and any changes that occurred over the review period.

## DESCRIPTION OF THE WYOMING ASSESSMENT AREA

Table WY-1 details the counties that comprise the Wyoming AAs.

Table WY-1 – AA Composition, Branches, and ATMs					
AA	MSA or MD	MSA or MD #	Counties	Branches	ATMs
Casper MSA	Casper MSA	16220	Natrona	2	2
Cheyenne MSA	Cheyenne MSA	16940	Laramie	3	4
Wyoming Non-MSA	Wyoming Non- MSA	99999	Albany, Campbell, Carbon, Converse, Fremont, Goshen, Lincoln, Niobrara, Park, Platte, Sheridan, Sublette, Sweetwater, Teton, Uinta, Washakie	19	20
<b>Statewide</b>			<b>Total Branches/ATMs</b>	24	26
<i>Source: Bank records</i>					

Table WY-2 reflects the demographics of the Wyoming AAs combined.

Table WY-2 – Demographic Information						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA % of #
CTs	121	0.8	22.3	57.0	19.0	0.9
Population by CT Income Level	524,286	0.5	18.7	59.8	21.0	0.0
Owner-Occupied Housing Units by CT Income Level	140,651	0.0	18.3	60.4	21.3	0.0
Businesses by CT Income Level	52,476	0.3	23.2	54.4	22.0	0.1
Families by Income Level	133,328	18.7	18.6	22.6	40.1	0.0
Families by CT Income Level	133,328	0.0	18.2	60.7	21.1	0.0
Median Family Income		\$66,080	Median Housing Value		\$208,707	
HUD Adjusted Median Family Income for 2013		\$70,495				
Households Below Poverty Level		10.0%				
Source: 2010 U.S. Census Data, 2013 D&B Data						

According to Moody's Economy.com, growth in Wyoming's energy exploration, construction and manufacturing industries are driving the economy. A combination of residential and mining-related construction will also boost industry employment over the next year. Additionally, the state's truck and rail transportation industries have hired steadily, with job gains significantly outpacing the national average. The labor force and job growth has push down the unemployment rate to 4.7 percent, which is well below the U.S. national average.

### Community Contact Observation

The primary credit need identified by a contact was for affordable housing and housing infrastructure improvements, such as improve aging water and sewer infrastructure. The contact also stated that there are opportunities for financial institutions to participate in several programs in the community that promote affordable housing for LMI individuals and families. Overall, the contact stated the local banks are doing a fair job meeting the credit needs of the AA.

## **STATEWIDE PERFORMANCE TEST CONCLUSIONS**

### **LENDING TEST**

BOW's Lending Test performance is rated Low Satisfactory. Small business and HMDA lending were equally weighted based on the dollar volumes in each area. BOW is not an active small farm lender in Wyoming.

### Lending Activity

Overall, BOW's lending levels reflect good responsiveness to AA credit needs. Examiners reviewed the number and dollar volume of loans originated over the review period, as well as market share and market ranking figures for primary loan products to determine the bank's level of lending relative to AA credit needs.

In 2012 and 2013, BOW originated a total of 547 HMDA loans, 256 small business loans, and 47 small farm loans. Since small farm lending represents just a very small portion of the bank's lending in this state (5.5 percent of BOW-reportable lending in 2012 and 2013), it was not presented in this evaluation.

Tables WY-3 and WY-4 details BOW's loan market ranking and market shares during 2012 by loan type in the Wyoming AA.

<b>Table WY-3 – Small Business Loan and Deposit Market Shares</b>			
AA	2012		Deposit Market Share %
	Rank (\$)	Market Share %	
All Wyoming AAs Combined	8 of 65	3.0	7.4
Casper MSA	7 of 37	1.6	8.2
Cheyenne MSA	16 of 41	1.1	8.3
Wyoming Non-MSA	5 of 48	4.2	7.1
<i>Source:2012 CRA Aggregate Data and June 2013 FDIC Summary of Deposits</i>			

<b>Table WY-4 – HMDA Loan Market Share</b>		
AA	2012	
	Rank (#)	Market Share %
All Wyoming AAs Combined	18 of 282	1.2
Casper MSA	28 of 110	0.3
Cheyenne MSA	29 of 154	0.6
Wyoming Non-MSA	10 of 253	1.8
<i>Source:2012 HMDA Aggregate Data</i>		

## **Borrower Profile**

The distribution of borrowers in Wyoming reflects, given the product lines offered by the institution, good penetration among retail customers of different income levels and business customers of different revenue sizes.

### **Small Business Loans**

The distribution of borrowers reflects excellent penetration among small businesses of different sizes. Table WY-5 on the following page shows BOW's distribution of small business loans by GAR in all Wyoming AAs combined. BOW's 2012 performance of 72.3 percent significantly exceeds the aggregate data of 36.0 percent. In 2013, the bank's performance trended upward to 77.4 percent and exceeded the D&B data of 72.1 percent.

Table WY-5 Small Business Loan Borrower Profile						
GARs	2013 D&B	2012 Aggregate Data	2012 Bank		2013 Bank	
	%	%	#	%	#	%
≤ \$1 Million	72.1	36.0	102	72.3	89	77.4
> \$1 Million	4.0		33	23.4	15	13.0
Not Reported	23.9		6	4.3	11	9.6
<b>Total</b>	<b>100.0</b>		<b>141</b>	<b>100.0</b>	<b>115</b>	<b>100.0</b>
<i>Source: 2013 D&amp;B Data, 2012 CRA Aggregate Data, 2012 and 2013 CRA LR's</i>						

Table WY-6 represents the rate of lending to businesses with GARs of \$1 million or less by AAs within Wyoming. In 2012, all Wyoming AAs exceeded the aggregate. In 2013, Casper MSA AA performance trended downward, while the Cheyenne MSA and Wyoming Non-MSA AAs trended upward.

Table WY-6 Small Business Penetration Rate By AA						
AA	2013 D&B	2012 Aggregate Data	2012 Bank		2013 Bank	
	%	%	#	%	#	%
Casper MSA	72.7	33.3	11	84.6	7	70.0
Cheyenne MSA	71.9	38.3	10	66.7	7	77.8
Wyoming Non-MSA	72.0	36.4	81	71.7	75	78.1
<i>Source: 2013 D&amp;B, 2012 Aggregate Data, 2012 and 2013 CRA LR's</i>						

### HMDA Loans

The distribution of borrowers reflects good penetration among customers of different income levels. Table WY-7 on the following page shows BOW's distribution of HMDA loans by borrower income in all Wyoming AAs combined. In 2012, the bank's lending to low-income borrowers of 8.6 percent exceeded the aggregate data of 6.0 percent with an upward trend in 2013. The bank's 2012 lending to moderate-income borrowers of 21.7 percent exceeded the aggregate data of 17.0 percent with a downward trend in 2013.

Table WY-7 HMDA Loan Borrower Profile						
Borrower Income Level	2010 Census Families	2012 Aggregate Data	2012 Bank		2013 Bank	
	%	%	#	%	#	%
Low	18.7	6.0	25	8.6	32	12.4
Moderate	18.6	17.0	63	21.7	58	22.6
Middle	22.6	25.0	84	29.0	82	31.9
Upper	40.1	35.4	97	33.5	78	30.4
Not Reported	0.0	16.6	21	7.2	7	2.7
<b>Total</b>	<b>100.0</b>	<b>100.0</b>	<b>290</b>	<b>100.0</b>	<b>257</b>	<b>100.0</b>
<i>Source: 2010 U.S. Census, 2012 HMDA Aggregate Data, 2012 and 2013 HMDA LARs</i>						

Tables WY-8 and WY-9 show BOW's loan penetration rates for LMI borrowers in each AA in Wyoming. In 2012, BOW's penetration of low-income borrowers in the Cheyenne and Non-MSA AAs exceeded the aggregate data. There was no penetration in the Casper MSA AA; however, all AAs trend upward for 2013. For moderate-income areas, the bank's 2012 performance in the Cheyenne and Non-MSA AAs exceeded the aggregate data, but the Casper MSA AA lagged aggregate. In 2013, the bank's performance shows a mixed trend with the Casper and Non-MSA MSA AAs trending upward and the Cheyenne MSA AA trending downward.

Table WY-8 Low-Income Borrower Penetration Rate By AA						
AA	2010 Census Families	2012 Aggregate Data	2012 Bank		2013 Bank	
	%	%	#	%	#	%
Casper MSA	18.6	6.7	0	0.0	3	10.0
Cheyenne MSA	18.5	5.7	6	14.6	6	21.4
Wyoming Non-MSA	18.7	5.9	19	8.1	23	11.6
<i>Source: 2010 U.S. Census, 2012 Aggregate Data, and 2012, 2013</i>						

Table WY-9 Moderate-Income Borrower Penetration Rate By AA						
AA	2010 Census Families	2012 Aggregate Data	2012 Bank		2013 Bank	
	%	%	#	%	#	%
Casper MSA	19.3	20.4	2	14.3	6	20.0
Cheyenne MSA	19.1	15.5	11	26.8	6	21.4
Wyoming Non-MSA	18.3	16.7	50	21.3	46	23.1
<i>Source: 2010 U.S. Census, 2012 HMDA Aggregate Data, 2012 and 2013 HMDA LARs</i>						

## Geographic Distribution

BOW's geographic distribution of loans reflects an adequate penetration throughout Wyoming.

### Small Business Loans

BOW's geographic distribution of small business loans reflects adequate penetration throughout Wyoming. Table WY-10 shows the distribution of small business loans by the category of CTs within the AA. The lack of lending in the low-income CTs is influenced by the limited number of businesses and the low aggregate performance by other lenders. In 2012, the moderate-income CTs penetration lagged the aggregate data and showed a downward trend in 2013.

<b>Table WY-10 Small Business Loan Geographic Distribution</b>						
CT Income Level	2013 D&B	2012 Aggregate Data	2012 Bank		2013 Bank	
	%	%	#	%	#	%
Low	0.3	0.2	0	0.0	0	0.0
Moderate	23.2	22.1	22	15.6	13	11.3
Middle	54.4	46.1	84	59.6	78	67.8
Upper	22.0	20.2	35	24.8	24	20.9
N/A	0.1	11.4	0	0.0	0	0.0
<b>Total</b>	<b>100.0</b>	<b>100.0</b>	<b>141</b>	<b>100.0</b>	<b>115</b>	<b>100.0</b>
<i>Source: 2013 D&amp;B, 2012 CRA Aggregate Data, 2012 and 2013 CRA LRs</i>						

Tables WY-11 and WY-12 display BOW's small business loan penetration in LMI CTs by AA in Wyoming. There are negligible businesses and no aggregate lending in the low-income CT in the Wyoming AA, which has why there has not been any small business loans originated by BOW in this CT.

The 2012 performance in the moderate-income CTs exceeds the aggregate data in the Non-MSA AA, but the Casper and Cheyenne MSA AAs lagged the aggregate data. In 2013, the Casper MSA and Cheyenne MSA AAs showed an upward trend and the Non-MSA AA trended downward.

<b>Table WY-11 Small Business Low-Income CT Penetration By WY AA</b>						
AA	2013 D&B	2012 Aggregate Data	2012 Bank		2013 Bank	
	%	%	#	%	#	%
Casper MSA	0.0	0.0	0	0.0	0	0.0
Cheyenne MSA	0.0	0.0	0	0.0	0	0.0
Wyoming Non-MSA	0.4	0.3	0	0.0	0	0.0
<i>Source: 2013 D&amp;B, 2012 CRA Aggregate Data, 2012 and 2013 CRA LRs</i>						

<b>Table WY-12 Small Business Moderate-Income CT Penetration By WY AA</b>						
AA	2013 D&B	2012 Aggregate Data	2012 Bank		2013 Bank	
	%	%	#	%	#	%
Casper MSA	30.2	28.0	3	23.1	4	40.0
Cheyenne MSA	43.2	48.5	3	20.0	3	33.3
Wyoming Non-MSA	16.6	13.2	16	14.2	6	6.3
<i>Source: 2013 D&amp;B, 2012 CRA Aggregate Data, 2012 and 2013 CRA LRs</i>						

### HMDA Loans

The geographic distribution of HMDA loans reflects adequate penetration throughout the Wyoming AAs. Table WY-13 shows BOW's geographic distribution for HMDA loans by the income category of CTs within the AA. The table shows no penetration of the low-income CT, which is similar to the aggregate data. The bank's 2012 moderate-income CTs are slightly below the aggregate data for 2012 and remained fairly stable in 2013.

There are no owner-occupied housing units or families in the single, low-income CT in the Wyoming AA; therefore, HMDA low-income CT penetration tables are not presented.

<b>Table WY-13 HMDA Loan Geographic Distribution</b>						
CT Income Level	Owner- Occupied Housing Units	2012 Aggregate Data	2012 Bank		2013 Bank	
	%	%	#	%	#	%
Low	0.0	0.0	0	0.0	0	0.0
Moderate	18.3	13.3	35	12.1	32	12.4
Middle	60.4	57.8	193	66.5	159	61.9
Upper	21.3	28.9	62	21.4	66	25.7
N/A	0.0	0.0	0	0.0	0.0	0.0
<b>Total</b>	<b>100.0</b>	<b>100.0</b>	<b>290</b>	<b>100.0</b>	<b>257</b>	<b>100.0</b>
<i>Source: 2010 U.S. Census, 2012 HMDA Aggregate Data, 2012 and 2013 HMDA LARs</i>						

Table WY-14 on the following page shows BOW's HMDA loan penetration rate in moderate-income CTs by AA in Wyoming. The bank's 2012 moderate-income CTs performance exceeded the aggregate data in the Casper and Cheyenne MSA AAs, but lagged behind the aggregate data in the Non-MSA AA. In 2013, the table shows a general upward trend in all AAs, except for the Non-MSA AA that trended slightly downward.

Table WY-14 HMDA Moderate-Income CT Penetration By AA						
AA	Owner-Occupied Housing Units	2012 Aggregate Data	2012 Bank		2013 Bank	
	%	%	#	%	#	%
Casper MSA	16.1	9.5	2	14.3	6	20.0
Cheyenne MSA	26.9	18.4	9	21.9	8	28.6
Wyoming Non-MSA	16.5	12.0	24	10.2	18	9.0
Source: Source: 2010 U.S. Census, 2012 HMDA Aggregate Data, 2012 and 2013 HMDA LARs						

### **Record of serving the Credit Needs of Highly Economically Disadvantaged**

BOW exhibits a good record of serving the credit needs of the most economically disadvantaged areas of its Wyoming AAs, low-income individuals, and very small businesses, consistent with safe and sound banking practices.

### **CD Loans**

BOW is a leader in the level of CD loans in the Wyoming AA, relative to its position in the state as the 8th largest bank in the Wyoming AA, with a market share of 3.0 percent in the AA. As shown in Table WY-15 on the following page, the bank originated 8 CD loans totaling \$13.7 million since the previous evaluation. This represents 0.4 percent of the total dollar volume of the bank's CD lending activity, which is less than the percentage of branches the bank operates in Wyoming at 4.0 percent. CD lending in Wyoming was primarily centered in responding to services to LMI families, with the remainder providing support to revitalization LMI tracts.



Table WY-15 - CD Lending												
Assessment Area	Total		Affordable Housing		Community Services		Economic Development		Revitalization or Stabilization		Neighborhood Stabilization	
	#	\$ (000)	#	\$ (000)	#	\$ (000)	#	\$ (000)	#	\$ (000)	#	\$ (000)
<b>2011</b>												
Casper MSA	1	2,000	0	0	1	2,000	0	0	0	0	0	0
Cheyenne MSA	0	0	0	0	0	0	0	0	0	0	0	0
Wyoming Non-MSA	0	0	0	0	0	0	0	0	0	0	0	0
<b>Total WY - 2011</b>	<b>1</b>	<b>2,000</b>	<b>0</b>	<b>0</b>	<b>1</b>	<b>2,000</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>2012</b>												
Casper MSA	1	2,000	0	0	1	2,000	0	0	0	0	0	0
Cheyenne MSA	2	4,726	0	0	0	0	0	0	2	4,726	0	0
Wyoming Non-MSA	1	550	0	0	1	550	0	0	0	0	0	0
<b>Total WY - 2012</b>	<b>4</b>	<b>7,276</b>	<b>0</b>	<b>0</b>	<b>2</b>	<b>2,550</b>	<b>0</b>	<b>0</b>	<b>2</b>	<b>4,726</b>	<b>0</b>	<b>0</b>
<b>2013</b>												
Casper MSA	0	0	0	0	0	0	0	0	0	0	0	0
Cheyenne MSA	1	2,277	0	0	1	2,277	0	0	0	0	0	0
Wyoming Non-MSA	2	2,150	0	0	1	650	0	0	1	1,500	0	0
<b>Total WY - 2013</b>	<b>3</b>	<b>4,427</b>	<b>0</b>	<b>0</b>	<b>2</b>	<b>2,927</b>	<b>0</b>	<b>0</b>	<b>1</b>	<b>1,500</b>	<b>0</b>	<b>0</b>
<b>Grand Total</b>	<b>8</b>	<b>13,703</b>	<b>0</b>	<b>0</b>	<b>5</b>	<b>7,477</b>	<b>0</b>	<b>0</b>	<b>3</b>	<b>6,226</b>	<b>0</b>	<b>0.0</b>
<i>Source: Bank records</i>												

## INVESTMENT TEST

BOW's Investment Test rating is High Satisfactory. The bank has a significant level of qualified CD investments and grants, occasionally in a leadership position, particularly those that are not routinely provided by private investors. BOW exhibits a good responsiveness to credit and CD needs in the Wyoming AAs. The institution makes use of innovative or complex investments to support CD initiatives. The institution holds 1 qualifying investment totaling \$5.0 million and 85 qualifying donations totaling \$201,000. This is an increase of 73.2 percent by dollar amount of total investments since the previous PE. The qualified investment was made during the current evaluation period. The investment was made to support LIHTCs in the AA. Qualified investments and donations covered the Wyoming AAs in a manner consistent with the bank's allocation of resources. Table WY-16 on the following page details the qualified donations.

Table WY-16 CD Donations												
Assessment Area	Total		Affordable Housing		Community Services		Economic Development		Revitalization or Stabilization		Neighborhood Stabilization	
	#	\$ (000)	#	\$ (000)	#	\$ (000)	#	\$ (000)	#	\$ (000)	#	\$ (000)
<b>2011</b>												
Casper MSA	3	13	2	12	1	1	0	0	0	0	0	0
Cheyenne MSA	1	10	0	0	0	0	1	10	0	0	0	0
Wyoming Non-MSA	20	37	2	7	12	17	6	13	0	0	0	0
<b>Total WY - 2011</b>	<b>24</b>	<b>60</b>	<b>4</b>	<b>19</b>	<b>13</b>	<b>18</b>	<b>7</b>	<b>23</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>2012</b>												
Casper MSA	4	23	2	12	2	11	0	0	0	0	0	0
Cheyenne MSA	4	15	1	1	2	4	1	10	0	0	0	0
Wyoming Non-MSA	28	41	3	5	20	25	5	11	0	0	0	0
<b>Total WY - 2012</b>	<b>36</b>	<b>79</b>	<b>6</b>	<b>18</b>	<b>24</b>	<b>40</b>	<b>6</b>	<b>21</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>2013</b>												
Casper MSA	2	20	0	0	2	20	0	0	0	0	0	0
Cheyenne MSA	3	19	0	0	2	9	1	10	0	0	0	0
Wyoming Non-MSA	20	27	0	0	15	18	5	9	0	0	0	0
<b>Total WY - 2013</b>	<b>25</b>	<b>66</b>	<b>0</b>	<b>0</b>	<b>19</b>	<b>47</b>	<b>6</b>	<b>19</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Grand Total</b>	<b>85</b>	<b>205</b>	<b>10</b>	<b>37</b>	<b>56</b>	<b>105</b>	<b>19</b>	<b>63</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<i>Source: Bank records</i>												

## Service Test

BOW is rated Needs to Improve in the Service Test. Delivery systems are accessible to essentially all portions of the Wyoming AAs. Services do not vary in a way that inconveniences certain portions of the AA, particularly LMI geographies. However, two Wyoming branch closures since the previous evaluation have adversely affected the accessibility of its delivery systems, particularly in LMI geographies and/or to LMI individuals. Moreover, the bank provided no CD services over the review period.

## Reasonableness of Business Hours and Services

Services do not vary in a way that inconveniences certain portions of the Wyoming AA, particularly LMI geographies or individuals. The bank operates from a total of 24 locations in Wyoming, which offer a complete selection of retail services that enhance the availability of credit and deposit products.

## Accessibility of Delivery Systems

BOW's retail delivery systems are accessible to essentially all portions of the AAs in Wyoming. BOW operates 24 branches in Wyoming and Table WY-17 evaluates the branch structure in the same manner as presented in previous states.

<b>Table WY-17 Branch Structure</b>						
<b>Branch and ATM Distribution</b>	<b>CT Income Level</b>					
	<b>Low</b>	<b>Moderate</b>	<b>Middle</b>	<b>Upper</b>	<b>N/A</b>	<b>Total</b>
Number of Branches as of March 3, 2014	0	5	17	2	0	24
Percentage of Branches	0.0	20.8	70.8	8.4	0.0	100.0
Number of ATMs as of March 3, 2014	0	5	18	3	0	26
Percentage of ATMs	0.0	19.2	69.2	11.6	0.0	100.0
<b>Comparisons</b>						
Percentage of Branches - All Institutions	1.5	28.7	55.9	13.9	0.0	100.0
Percentage of Households	0.2	20.9	59.4	19.5	0.0	100.0
Percentage of Families	0.0	18.2	60.7	21.1	0.0	100.0
Percentage of Businesses	0.3	23.2	54.4	22.0	0.1	100.0
<i>Source: Bank records, 2010 U.S. Census, 2013 D&amp;B</i>						

Although BOW does not operate a branch in a low-income CT, only one low-income tract exists in the AA and there are very few businesses and households located in that tract. The bank's penetration of moderate-income geographies of 20.8 percent is in line with the household, family, and business demographics of the area. Table WY-18 presents the bank's penetration of LMI tracts by AA compared to the competition.

<b>Table WY-18 LMI CT Branch Distribution</b>				
<b>AA</b>	<b>Low-Income CTs</b>		<b>Moderate-Income CTs</b>	
	<b>Bank (%)</b>	<b>Aggregate (%)</b>	<b>Bank (%)</b>	<b>Aggregate (%)</b>
Casper MSA	0.0	0.0	50.0	42.8
Cheyenne MSA	0.0	0.0	33.3	36.9
Wyoming Non-MSA	0.0	2.5	15.8	24.6
<i>Source: Bank records, 2012 Peer Deposit Data</i>				

BOW's coverage of moderate-income tracts in the Non-MSA area is actually stronger than the numbers would suggest, as the Riverton Branch, which is located in a middle-income CT, is across the street from a group of moderate-income geographies. The Laramie Branch is close to the only low-income CT and another moderate-income CT. The same observation holds for Cheyenne MSA where the Cheyenne East Branch is a few blocks from a group of moderate-income CTs.

### **Change in Branch Locations**

The branch closures affected the availability of services to LMI individuals and areas. BOW closed two branches and did not open any new branches in Wyoming since the previous evaluation. The two branches were both located in the Wyoming Non-MSA AA. The bank closed one branch in a moderate-income CT in Goshen County and one branch in a middle-income CT in Park County. The Park County Branch was located in a remote rural and underserved CT.

### **CD Services**

The institution provided few, if any, CD services in Wyoming. BOW did not have any CD services in Wyoming over the review period.

## **WYOMING NON-MSA FULL-SCOPE EVALUATION**

### **SCOPE OF EXAMINATION**

Examiners conducted a full-scope, off-site evaluation of BOW's performance in the Wyoming non-MSA AA.

### **DESCRIPTION OF THE WYOMING NON-MSA ASSESSMENT AREA**

The counties that comprise this AA are detailed in the statewide description. Table WY-19 reflects the demographics of the AA.

**Table WY-19 – Wyoming Non-MSA AA Demographic Information**

Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA % of #
CTs	82	1.2	20.7	62.2	15.9	0.0
Population by CT Income Level	357,098	0.8	16.3	63.4	19.5	0.0
Owner-Occupied Housing Units by CT Income Level	95,118	0.0	16.5	64.9	18.6	0.0
Businesses by CT Income Level	35,817	0.4	16.6	62.0	21.0	0.0
Families by Income Level	89,805	18.7	18.3	22.6	40.4	0.0
Families by CT Income Level	89,805	0.1	16.3	64.5	19.1	0.0
Median Family Income		\$67,040	Median Housing Value		\$226,088	
HUD Adjusted Median Family Income for 2013		\$73,300				
Households Below Poverty Level		10.0%				
Source: 2010 U.S. Census Data, 2013 D&B Data						

## **PERFORMANCE TEST CONCLUSIONS**

Data applicable to the AA indicates that the overall performance is generally similar to the statewide performance. Please refer to the statewide performance test conclusions for performance differences, if any.

### **LENDING TEST**

A more in-depth borrower profile and geographic distribution review of loans originated in the Wyoming Non-MSA AA are presented below. Other Lending Test criteria are fully described in the Lending Test section of the CAA and the statewide performance test conclusions. Small business and HMDA loans were weighted equally based on dollar volume of loans originated. Small farm loans performance was not evaluated due to the limited loans originated within this AA. Data supporting the ratings is presented in the statewide performance test conclusions section.

#### **Borrower Profile**

BOW's distribution of borrowers in the Wyoming Non-MSA AA reflects, given the product lines offered by the institution, good penetration among retail customers of different income levels and business customers of different revenue sizes. This conclusion is consistent with statewide performance.

#### **Small Business Loans**

The bank has excellent loan penetration in the Wyoming Non-MSA AA. In 2012, 71.7 percent of loans were to small businesses earning GARs of \$1 million or less, compared to the aggregate data of 36.4 percent. In 2012, the bank's performance had an upward trend to 78.1 percent.

#### **HMDA Loans**

The bank has good loan penetration to HMDA borrowers in the Wyoming Non-MSA AA. In 2012, BOW's loan penetration of 8.1 percent was above the aggregate data of 5.9 percent for low-income borrowers, and the loan penetration to moderate-income borrowers of 21.3 percent was above the aggregate data of 16.7 percent. In 2013, the loan performance indicated an upward trend to LMI borrowers.

#### **Geographic Distribution**

BOW's overall distribution of loans reflects adequate penetration throughout the Wyoming Non-MSA AA. BOW's penetration in low-income CTs was not considered, as there are no low-income CTs within the AA.

### Small Business Loans

The geographic distribution of small business loans reflects adequate loan penetration throughout the Wyoming Non-MSA AA. In 2012, the bank's loan performance of 14.2 percent in the moderate-income CTs was slightly above the aggregate data of 13.2 percent. In 2013, the loan performance trended downward in the moderate-income CTs.

### HMDA Loans

The geographic distribution of residential loans reflects adequate penetration throughout the Wyoming Non-MSA AA. In 2012, the bank's loan performance of 10.2 percent in the moderate-income CTs was slightly below the aggregate data of 12.0 percent. In 2013, the bank's loan performance trended downward.

### **INVESTMENT TEST**

BOW's Investment Test performance in this AA is consistent with the institution's Investment Test performance in the state.

### **SERVICE TEST**

BOW's Service Test performance in this AA is consistent with the institution's Service Test performance in the state.

## **Limited-Scope AA Evaluations**

Data applicable to the limited-scope AAs indicates that performance is consistent with the institution's performance in the state. Demographic data regarding limited-scope AAs is located in Appendix F.

# ARIZONA

*The Lending Test is rated:*                      *High Satisfactory*  
*The Investment Test is rated:*                *High Satisfactory*  
*The Service Test is rated:*                      *Low Satisfactory*

BOW's Arizona CRA Rating is **Satisfactory**.

## SCOPE OF EXAMINATION AND DESCRIPTION OF OPERATIONS

Examiners conducted a full scope, off-site evaluation of the bank's performance in the Phoenix-Mesa-Scottsdale MSA AA (Phoenix MSA). Examiners conducted off-site, limited-scope reviews of the four other AAs. A review of FDIC records and the bank's CRA public file, revealed no CRA complaints since the previous evaluation in this area. BOW operates 18 branches within Arizona. Refer to the Service Test portion of this evaluation for details regarding BOW's delivery systems and any changes that occurred over the review period.

## DESCRIPTION OF THE ARIZONA ASSESSMENT AREA

Table AZ-1 details the counties that comprise the Arizona AAs combined.

Table AZ-1 – AA Composition, Branches, and ATMs					
AA	MSA or MD	MSA or MD #	Counties	Branches	ATMs
Phoenix MSA	Phoenix-Mesa-Scottsdale AZ MSA	38060	Maricopa, Pinal	4	3
Flagstaff MSA	Flagstaff AZ MSA	22380	Coconino (Partial)	1	1
Tucson MSA	Tucson AZ MSA	46060	Pima	7	7
Prescott MSA	Prescott AZ MSA	39140	Yavapai (Partial)	1	2
Arizona Non-MSA	Non-MSA	99999	Apache, Gila, Navajo (Partial)	5	5
<b>Statewide</b>			<b>Total Branches/ATMs</b>	18	18
<i>Source: Bank records</i>					

Table AZ-2 reflects the demographic of Arizona AAs combined.

Table AZ-2 – Demographic Information						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA % of #
CTs	1,286	8.6	24.7	34.9	30.9	0.9
Population by CT Income Level	5,373,025	7.8	25.2	36.3	30.5	0.2
Owner-Occupied Housing Units by CT Income Level	1,306,476	3.5	21.3	38.9	36.3	0.0
Businesses by CT Income Level	508,451	6.1	17.0	31.6	44.9	0.4
Families by Income Level	1,285,508	21.2	17.8	20.3	40.7	0.0
Families by CT Income Level	1,285,508	6.3	23.4	37.0	33.3	0.0
Median Family Income		\$61,215	Median Housing Value	\$238,992		
HUD Adjusted Median Family Income for 2013		\$60,215				
Households Below Poverty Level		12.0%				
Source: 2010 U.S. Census Data, 2013 D&B Data						

According to Moody's Economy.com, personal services persist as the labor market's primary growth driver, with leisure/hospitality, retail and financial services turning in the largest payroll gains. However, some labor market softness still exists with the unemployment rate remaining stagnant at 8.0 percent. In the housing market, there has been an extremely limited supply for lower priced homes, coupled with rising demand from traditional homebuyers, has pushed house prices nearly 20.0 percent. Home values will appreciate at a much more modest pace in the coming years now that investors are nearly completely out of the market.

### Community Contact Observation

The contact stated that the AA's economy is gradually improving since the onset of the national recession. The production of home builders is returning to the area and has secured large parcels of land to begin construction of single family homes. The contact stated that local financial institutions are doing a good job of meeting the overall credit needs of the AA. In addition, the contacted stated that there are opportunities for future industry expansion in the areas of education, technology, and the world trade industries.

## **STATEWIDE PERFORMANCE TEST CONCLUSIONS**

### **LENDING TEST**

BOW's Lending Test performance is rated High Satisfactory. Small Business and HMDA lending were equally weighted based on the level of activity. Small farm loans were not reviewed due to nominal lending activity.

### Lending Activity

Overall, BOW's lending levels reflect adequate responsiveness to the AA's credit needs. Examiners reviewed the number and dollar volume of loans originated over the review period, as



well as market share and market ranking figures for primary loan products to determine the bank's level of lending relative to AA credit needs. In 2012 and 2013, the bank originated 464 HMDA loans totaling \$89.4 million, compared to 269 small business loans totaling \$51.2 million, and only 11 small farm loans totaling \$1.8 million.

Tables AZ-3 and AZ-4 detail BOW's loan market ranking and market shares during 2012 by loan type in the Arizona AA.

### Small Business Loans

As shown in Table AZ-3, the bank is 21<sup>st</sup> overall out of 178 small business reporters in Arizona with 0.8 percent small business market share, as compared to 1.2 percent deposit market share. The Tucson MSA and Arizona MSA AAs have the highest market share with 3.8 percent and 2.3 percent, respectively.

<b>Table AZ-3 – Small Business Loan and Deposit Market Shares</b>			
AA	2012		Deposit Market Share %
	Rank (\$)	Market Share %	
All Arizona AAs Combined	21 of 178	0.8	1.2
Phoenix MSA	39 of 164	0.2	0.2
Flagstaff MSA	27 of 34	0.2	2.4
Tucson MSA	9 of 70	3.8	4.1
Prescott MSA	23 of 46	0.6	0.5
Arizona Non-MSA	9 of 38	2.3	19.6
<i>Source: 2012 CRA Aggregate Data and June 2013 FDIC Summary of Deposits</i>			

### HMDA Loans

As shown in Table AZ-4, the bank is 121<sup>st</sup> overall out of 873 HMDA reporters in Arizona with 0.1 percent market share, as compared to 0.1 percent deposit market share. The Flagstaff MSA AA has the most market share with 5.9 percent.

<b>Table AZ-4 – HMDA Loan Market Share</b>		
AA	2012	
	Rank (#)	Market Share %
All Arizona AAs Combined	121 of 873	0.1
Phoenix MSA	155 of 802	0.0
Tucson MSA	59 of 409	0.2
Flagstaff MSA	3 of 67	5.9
Prescott MSA	26 of 98	0.8
Arizona Non-MSA	27 of 226	0.7
<i>Source: 2012 HMDA Aggregate Data</i>		

## **Borrower Profile**

The distribution of borrowers reflects, given the product lines offered by the institution, excellent penetration among retail customers of different income levels and business customers of different revenue sizes.

### **Small Business Loans**

The distribution of borrowers reflects excellent penetration among businesses of different sizes. Table AZ-5 on the following page shows BOW's distribution of small business loans by GAR in all of Arizona AAs combined. In 2012, BOW originated 58.7 percent of loans to small businesses with GARs of \$1 million or less. This performance significantly exceeds the aggregate performance of 38.8 percent. In 2013, lending to small businesses trended upward to 62.2 percent, but was below the D&B data.

<b>Table AZ-5 Small Business Loan Borrower Profile</b>						
<b>GARs</b>	<b>2013 D&amp;B</b>	<b>2012 Aggregate Data</b>	<b>2012 Bank</b>		<b>2013 Bank</b>	
	<b>%</b>	<b>%</b>	<b>#</b>	<b>%</b>	<b>#</b>	<b>%</b>
≤ \$1 Million	72.5	38.8	74	58.7	89	62.2
> \$1 Million	3.2		44	34.9	46	32.2
Not Reported	24.3		8	6.3	8	5.6
<b>Total</b>	<b>100.0</b>		<b>126</b>	<b>100.0</b>	<b>143</b>	<b>100.0</b>
<i>Source: 2013 D&amp;B Data, 2012 CRA Aggregate Data, 2012 and 2013 CRA LRs</i>						

Table AZ-6 presents the rate of lending to small businesses with GARs of \$1 million or less by AAs within Arizona. As shown, the bank's performance within each AA is generally consistent with the bank's performance at the statewide level.

<b>Table AZ-6 Small Business Penetration Rate By AA</b>						
<b>AA</b>	<b>2013 D&amp;B</b>	<b>2012 Aggregate Data</b>	<b>2012 Bank</b>		<b>2013 Bank</b>	
	<b>%</b>	<b>%</b>	<b>#</b>	<b>%</b>	<b>#</b>	<b>%</b>
Phoenix MSA	72.5	39.1	17	68.0	33	60.0
Flagstaff MSA	72.4	35.3	3	75.0	1	100.0
Tucson MSA	58.2	39.3	44	54.3	37	54.4
Prescott MSA	73.5	35.6	1	100.0	2	100.0
Arizona Non-MSA	73.2	35.9	9	60.0	16	94.1
<i>Source: 2013 D&amp;B, 2012 Aggregate Data, 2012 and 2013 CRA LRs</i>						

## HMDA Loans

The distribution of borrowers reflects good penetration among retail customers of different income levels. Table AZ-7 shows BOW's distribution of HMDA loans by borrower income in Arizona's AAs combined. In 2012, the bank's lending to low-income borrowers exceeded the aggregate with an upward trend in 2013. The bank's 2012 lending to moderate-income borrowers exceeded the aggregate data remained fairly stable in 2013.

<b>Table AZ-7 HMDA Loan Borrower Profile</b>						
<b>Borrower Income Level</b>	<b>2010 Census Families</b>	<b>2012 Aggregate Data</b>	<b>2012 Bank</b>		<b>2013 Bank</b>	
	<b>%</b>	<b>%</b>	<b>#</b>	<b>%</b>	<b>#</b>	<b>%</b>
Low	21.2	8.3	23	10.1	27	11.4
Moderate	17.8	15.5	44	19.4	47	19.8
Middle	20.3	18.8	39	17.2	42	17.7
Upper	40.7	42.7	103	45.4	89	37.6
Not Reported	0.0	14.7	18	7.9	32	13.5
<b>Total</b>	<b>100.0</b>	<b>100.0</b>	<b>227</b>	<b>100.0</b>	<b>237</b>	<b>100.0</b>
<i>Source: 2010 U.S. Census, 2012 HMDA Aggregate Data, 2012 and 2013 HMDA LARs</i>						

Tables AZ-8 and AZ-9 on the following page show BOW's loan penetration rates for LMI borrowers in each AA in Arizona. In 2012, BOW's performance for low-income borrowers in the Tucson and Non-MSA AAs exceeds the aggregate data, while Phoenix MSA lagged the aggregate data. The other two AAs (Flagstaff MSA and Prescott MSA) had nominal lending. The bank's performance within each AA for low-income borrowers is generally consistent with the performance at the statewide level, except for the Phoenix MSA AA. In 2013, the bank's lending performance generally showed an upward trend, except for the Tucson MSA. There was no lending in the Flagstaff MSA AA. In 2012, the bank's moderate-income lending performance in Phoenix MSA AA and Non-MSA exceeds the aggregate data, except for the Tucson MSA, which was comparable to the aggregate data. The other two AAs (Flagstaff MSA and Prescott MSA) had nominal or no lending. In 2013, BOW's lending performance was mixed, where the Phoenix MSA and Non-MSA had a downward trend, and the Tucson MSA and Flagstaff MSA had an upward trend. The lending in the Prescott MSA was nominal.

<b>Table AZ-8 Low-Income Borrower Penetration Rate By AA</b>						
AA	2010 Census Families	2012 Aggregate Data	2012 Bank		2013 Bank	
	%	%	#	%	#	%
Phoenix MSA	21.2	8.4	6	6.4	7	9.6
Tucson MSA	21.6	8.4	10	12.7	6	6.9
Flagstaff MSA	31.4	4.6	1	6.8	0	0.0
Prescott MSA	24.9	11.4	1	25.0	2	50.0
Arizona Non-MSA	18.3	3.1	5	14.3	12	22.6
<i>Source: 2010 U.S. Census, 2012 Aggregate Data, and 2012, 2013</i>						

<b>Table AZ-9 Moderate-Income Borrower Penetration Rate By AA</b>						
AA	2010 Census Families	2012 Aggregate Data	2012 Bank		2013 Bank	
	%	%	#	%	#	%
Phoenix MSA	17.8	15.7	23	24.5	10	13.7
Tucson MSA	17.8	15.0	12	15.2	19	21.8
Flagstaff MSA	22.7	16.2	1	6.8	7	35.0
Prescott MSA	23.3	19.1	0	0.0	1	25.0
Arizona Non-MSA	16.7	9.9	8	22.9	10	18.9
<i>Source: 2010 U.S. Census, 2012 HMDA Aggregate Data, 2012 and 2013 HMDA LARs</i>						

### **Geographic Distribution**

BOW's geographic distribution of loans reflects adequate penetration throughout Arizona.

### **Small Business Loans**

BOW's geographic distribution of small business loans reflects adequate penetration throughout the Arizona AAs. Table AZ-10 on the following page shows the distribution of small business loans by the income category of CTs within the AAs. In 2012, BOW's performance in low-income CTs slightly lags the aggregate data and reflects a downward trend in 2013. In 2012, the bank's lending in the moderate-income CTs exceeds the aggregate data and reflects a downward trend in 2013, but exceeds D&B demographic data.

**Table AZ-10 Small Business Loan Geographic Distribution**

CT Income Level	2013 D&B	2012 Aggregate Data	2012 Bank		2013 Bank	
	%	%	#	%	#	%
Low	6.1	6.1	7	5.6	5	3.5
Moderate	17.0	15.8	45	35.7	42	29.4
Middle	31.6	30.2	42	33.3	47	32.9
Upper	44.9	43.6	32	25.4	49	34.2
N/A	0.4	4.3	0	0.0	0	0.0
<b>Total</b>	<b>100.0</b>	<b>100.0</b>	<b>126</b>	<b>100.0</b>	<b>143</b>	<b>100.0</b>

Source: 2013 D&B, 2012 CRA Aggregate Data, 2012 and 2013 CRA LRs

Tables AZ-11 and AZ-12 (on the following page) show BOW's small business loan penetration in LMI CTs. In the low-income CTs, the bank's 2012 performance in Phoenix MSA AA exceeded aggregate, but Tucson MSA AA lagged aggregate. The table shows no penetration of the low-income CTs in the Non-MSA AAs, which is similar to the aggregate data. There are no low-income CTs in the Flagstaff and Prescott MSA AAs. In 2013, a general downward trend was noted in the Phoenix MSA and a slight upward trend in the Tucson MSA, but both AAs lagged the D&B demographic data. The bank's 2012 moderate-income CT lending performance exceeded the aggregate data in the Phoenix and Tucson AAs, but no loan penetration was noted in the Flagstaff, Prescott, and Non-MSA AAs. The bank's 2013 lending performance was mixed, where the Phoenix MSA showed a downward trend, but at lending levels above the D&B data. However, the bank's lending in the Tucson MSA showed an increasing trend that was significantly above the D&B data. The bank's lending in the Prescott MSA was nominal, but the performance was above the D&B data.

**Table AZ –11 Small Business Low-Income CT Penetration By AA**

AA	2013 D&B	2012 Aggregate Data	2012 Bank		2013 Bank	
	%	%	#	%	#	%
Phoenix MSA	6.3	7.0	4	16.0	2	3.6
Tucson MSA	5.9	5.3	3	3.7	3	4.4
Flagstaff MSA	0.0	0.0	0	0.0	0	0.0
Prescott MSA	0.0	0.0	0	0.0	0	0.0
Arizona Non-MSA	0.0	0.6	0	0.0	0	0.0

Source: 2013 D&B, 2012 CRA Aggregate Data, 2012 and 2013 CRA LRs

<b>Table AZ –12 Small Business Moderate-Income CT Penetration By AA</b>						
AA	2013 D&B	2012 Aggregate Data	2012 Bank		2013 Bank	
	%	%	#	%	#	%
Phoenix MSA	15.8	14.7	10	40.0	10	18.2
Tucson MSA	25.1	23.9	35	43.2	31	45.6
Flagstaff MSA	29.9	13.8	0	0.0	0	0.0
Prescott MSA	23.8	15.2	0	0.0	1	50.0
Arizona Non-MSA	2.3	2.9	0	0.0	0	0.0
<i>Source: 2013 D&amp;B, 2012 CRA Aggregate Data, 2012 and 2013 CRA LRs</i>						

### HMDA Loans

The geographic distribution of HMDA loans reflects adequate penetration throughout the Arizona AA. Table AZ-13 on the following page shows BOW's geographic distribution of HMDA loans by the income category of CTs within the AA. In 2012, BOW's performance in low-income CTs was fairly comparable to the aggregate data and shows an upward trend in 2013. In 2012, the bank's lending performance in the moderate-income CTs exceeds the aggregate data and reflects a downward trend in 2013.

<b>Table AZ – 13 HMDA Loan Geographic Distribution</b>						
CT Income Level	Owner- Occupied Housing Units	2012 Aggregate Data	2012 Bank		2013 Bank	
	%	%	#	%	#	%
Low	3.5	1.1	4	1.8	6	2.5
Moderate	21.3	10.8	34	15.0	31	13.1
Middle	38.9	37.9	121	53.3	129	54.4
Upper	36.3	50.2	66	29.1	71	30.0
N/A	0.0	0.0	2	0.8	0	0.0
<b>Total</b>	<b>100.0</b>	<b>100.0</b>	<b>227</b>	<b>100.0</b>	<b>237</b>	<b>100.0</b>
<i>Source: 2010 U.S. Census, 2012 HMDA Aggregate Data, and 2012, 2013 HMDA LRs</i>						

Tables AZ-14 and AZ-15 on the following page show BOW's HMDA loan penetration rate in the LMI CTs by AA in Arizona. In 2012, the bank's lending performance in the low-income CTs exceeds the aggregate in the Phoenix and Tucson MSA AAs. The table shows no penetration of the low-income CTs in the Non-MSA MSA AA, which is similar to the aggregate data. There are no low-income CTs in the Flagstaff and Prescott MSA AAs. In 2013, a general upward trend was noted in both the Phoenix and Tucson MSA AAs. The bank's 2012 moderate-income CTs lending performance exceeded aggregate in all AAs except the Flagstaff MSA. In 2013, the table shows no loan penetration of the moderate-income CTs in the Flagstaff, Prescott, and Non-MSA MSA AAs; however, a general upward trend was noted in both the Phoenix and Tucson MSA AAs.

**Table AZ – 14 HMDA Low-Income CT Penetration By AA**

AA	Owner-Occupied Housing Units	2012 Aggregate Data	2012 Bank		2013 Bank	
	%	%	#	%	#	%
Phoenix MSA	3.7	1.1	2	2.1	2	2.7
Tucson MSA	3.5	1.5	2	2.5	4	4.6
Flagstaff MSA	0.0	0.0	0	0.0	0	0.0
Prescott MSA	0.0	0.0	0	0.0	0	0.0
Arizona Non-MSA	1.5	0.0	0	0.0	0	0.0

Source: 2010 U.S. Census, 2012 HMDA Aggregate Data, 2012 and 2013 HMDA LARs

**Table AZ – 15 HMDA Moderate-Income CT Penetration By AA**

AA	Owner-Occupied Housing Units	2012 Aggregate Data	2012 Bank		2013 Bank	
	%	%	#	%	#	%
Phoenix MSA	21.5	10.6	17	18.1	16	21.9
Tucson MSA	22.0	12.3	13	16.5	15	17.2
Flagstaff MSA	68.0	13.7	0	0.0	0	0.0
Prescott MSA	21.0	19.5	3	75.0	0	0.0
Arizona Non-MSA	3.5	1.2	1	2.9	0	0.0

Source: Source: 2010 U.S. Census, 2012 HMDA Aggregate Data, 2012 and 2013 HMDA LARs

### **Record of Serving the Credit Needs of Highly Economically Disadvantaged**

BOW exhibits a good record of serving the credit needs of the most economically disadvantaged areas of its Arizona AAs, low-income individuals, and very small businesses, consistent with safe and sound banking practices.

### **CD Loans**

BOW is a leader in the level of CD loans in the Arizona AA relative to its position in the state as the 21<sup>st</sup> largest bank in the Arizona AA. The bank also has a market share of 0.8 percent in the AA. As shown in Table AZ-16 on the following page, the bank originated 26 CD loans totaling \$107.5 million since the previous evaluation. This represents 3.9 percent of the total dollar volume of the bank's CD lending activity, which is greater than the percentage of branches the bank operates in Arizona at 3.0 percent. CD lending in Arizona was primarily centered in loans to revitalize or stabilize LMI tracts, with the remaining funds lent for affordable housing, services to LMI families, and providing support for economic development of LMI areas.

Table AZ-16 CD Lending												
Assessment Area	Total		Affordable Housing		Community Services		Economic Development		Revitalization or Stabilization		Neighborhood Stabilization	
	#	\$ (000)	#	\$ (000)	#	\$ (000)	#	\$ (000)	#	\$ (000)	#	\$ (000)
<b>2011</b>												
Phoenix MSA	2	21,500	0	0.0	0	0	0	0.0	2	21,500	0	0
Tucson MSA	7	11,386	2	3,163	0	0	3	4,223	2	4,000	0	0
Flagstaff MSA	0	0	0	0	0	0	0	0	0	0	0	0
Prescott MSA	0	0	0	0	0	0	0	0	0	0	0	0
Arizona Non-MSA	0	0	0	0	0	0	0	0	0	0	0	0
<b>Total AZ – 2011</b>	<b>9</b>	<b>32,886</b>	<b>2</b>	<b>3,163</b>	<b>0</b>	<b>0</b>	<b>3</b>	<b>4,223</b>	<b>4</b>	<b>25,500</b>	<b>0</b>	<b>0</b>
<b>2012</b>												
Phoenix MSA	1	11,800	1	11,800	0	0	0	0	0	0	0	0
Tucson MSA	8	14,083	2	2,597	1	1,236	2	3,350	3	6,900	0	0
Flagstaff MSA	0	0	0	0	0	0	0	0	0	0	0	0
Prescott MSA	0	0	0	0	0	0	0	0	0	0	0	0
Arizona Non-MSA	0	0	0	0	0	0	0	0	0	0	0	0
<b>Total AZ – 2012</b>	<b>9</b>	<b>25,883</b>	<b>3</b>	<b>14,397</b>	<b>1</b>	<b>1,236</b>	<b>2</b>	<b>3,350</b>	<b>3</b>	<b>6,900</b>	<b>0</b>	<b>0</b>
<b>2013</b>												
Phoenix MSA	3	27,813	1	1,450	0	0	0	0	2	26,363	0	0
Tucson MSA	5	20,966	2	2,216	2	17,500	0	0	1	1,250	0	0
Flagstaff MSA	0	0	0	0	0	0	0	0	0	0	0	0
Prescott MSA	0	0	0	0	0	0	0	0	0	0	0	0
Arizona Non-MSA	0	0	0	0	0	0	0	0	0	0	0	0
<b>Total AZ – 2013</b>	<b>8</b>	<b>48,779</b>	<b>3</b>	<b>3,666</b>	<b>2</b>	<b>17,500</b>	<b>0</b>	<b>0</b>	<b>3</b>	<b>27,613</b>	<b>0</b>	<b>0</b>
<b>Grand Total</b>	<b>26</b>	<b>107,548</b>	<b>8</b>	<b>21,226</b>	<b>3</b>	<b>18,736</b>	<b>5</b>	<b>7,573</b>	<b>10</b>	<b>60,013</b>	<b>0</b>	<b>0</b>
Source: Bank records												

The following is a representative example of CD loans originated by BOW since the previous evaluation:

- The bank originated an \$11.8 million construction loan to build an 81-unit, income restricted, senior apartment building. The project is part of a LIHTC program and is located in the City of Mesa Enterprise Zone.



## INVESTMENT TEST

BOW's Investment Test rating is High Satisfactory. The bank has a significant level of qualified CD investments and grants, occasionally in a leadership position, particularly those that are not routinely provided by private investors. BOW exhibits a good responsiveness to credit and CD needs of the Arizona AAs. The institution makes significant use of innovative or complex investments to support CD initiatives. The bank has \$17.8 million in qualify investments, where 3 qualifying investments totaling \$6.6 million were purchased during the current evaluation period, and 11 qualifying investments were purchased prior to the previous evaluation with a current book value of \$11.2 million. All are affordable-housing-related investments, except \$1.3 million. The three new investments are LIHTC. In addition, the bank made 64 qualifying donations totaling \$231,700 during the evaluation period, which is a significant increase since the previous evaluation.

Table AZ-17 details the qualified donations. Qualified investments and donations covered the Arizona AAs in a manner consistent with the bank's allocation of resources.

Table AZ-17 CD Donations												
Assessment Area	Total		Affordable Housing		Community Services		Economic Development		Revitalization or Stabilization		Neighborhood Stabilization	
	#	\$ (000)	#	\$ (000)	#	\$ (000)	#	\$ (000)	#	\$ (000)	#	\$ (000)
<b>2011</b>												
Phoenix MSA	2	19	0	0	2	19	0	0	0	0	0	0
Tucson MSA	8	42	1	3	7	40	0	0	0	0	0	0
Flagstaff MSA	1	1	0	0	1	1	0	0	0	0	0	0
Prescott MSA	1	1	0	0	1	1	0	0	0	0	0	0
Arizona Non-MSA	2	8	0	0	2	8	0	0	0	0	0	0
<b>Total AZ – 2011</b>	<b>14</b>	<b>71</b>	<b>1</b>	<b>3</b>	<b>13</b>	<b>68</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>2012</b>												
Phoenix MSA	4	4	0	0	4	4	0	0	0	0	0	0
Tucson MSA	18	49	4	10	14	39	0	0	0	0	0	0
Flagstaff MSA	2	11	0	0	1	1	0	0	1	10	0	0
Prescott MSA	3	3	0	0	3	3	0	0	0	0	0	0
Arizona Non-MSA	5	5	0	0	5	5	0	0	0	0	0	0
<b>Total AZ – 2012</b>	<b>32</b>	<b>71</b>	<b>4</b>	<b>10</b>	<b>27</b>	<b>51</b>	<b>0</b>	<b>0</b>	<b>1</b>	<b>10</b>	<b>0</b>	<b>0</b>
<b>2013</b>												
Phoenix MSA	2	3	0	0	2	3	0	0	0	0	0	0
Tucson MSA	13	85	2	60	9	23	2	2	0	0	0	0
Flagstaff MSA	0	0	0	0	0	0	0	0	0	0	0	0
Prescott MSA	0	0	0	0	0	0	0	0	0	0	0	0
Arizona Non-MSA	3	3	0	0	3	3	0	0	0	0	0	0
<b>Total AZ – 2013</b>	<b>18</b>	<b>91</b>	<b>2</b>	<b>60</b>	<b>14</b>	<b>29</b>	<b>2</b>	<b>2</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Grand Total</b>	<b>64</b>	<b>232</b>	<b>7</b>	<b>73</b>	<b>54</b>	<b>147</b>	<b>2</b>	<b>2</b>	<b>1</b>	<b>10</b>	<b>0</b>	<b>0</b>
Source: Bank records												

## SERVICE TEST

BOW is rated Low Satisfactory in the Service Test. Delivery systems are accessible to essentially all portions of the AAs in Arizona. Services vary in a way that inconveniences certain portions of the AA, particularly LMI geographies. BOW closed six branches since the previous evaluation and did not open any new branches in Arizona. The bank's record of branch closures has adversely affected the accessibility of its delivery systems, particularly in LMI geographies and/or to LMI individuals. However, the institution provides a relatively high level of CD services.

### Reasonableness of Business Hours and Services

Services vary in a way that inconveniences certain portions of the AA, particularly low- and moderate-income geographies and/or individuals. Service variances are limited; however, business hours differ. While Monday to Friday business hours are consistent for the most part, Saturday hours are only offered at 5 of the 18 branches, which all happen to be located in middle- or upper-income CTs.

### Accessibility of Delivery Systems

BOW's retail delivery systems are accessible to essentially all portions of the AAs in Arizona. The bank operates from a total of 18 locations in Arizona and offers a complete selection of retail services that enhance the availability of credit and deposit products. As shown in Table AZ-18, most of the branches in this state are located in middle-income CTs. Bank customers are able to conduct business at any of the BOW locations in Arizona. BOW also operates 18 ATMs that are located throughout all of the AAs in Arizona.

**Table AZ-18 Branch Structure**

Branch and ATM Distribution	CT Income Level					
	Low	Moderate	Middle	Upper	N/A	Total
Number of Branches as of March 3, 2014	0	4	10	4	0	18
Percentage of Branches	0.0	22.2	55.6	22.2	0.0	100.0
Number of ATMs as of March 3, 2014	0	4	10	4	0	18
Percentage of ATMs	0.0	22.2	55.6	22.2	0.0	100.0
<b>Comparisons</b>						
Percentage of Branches - All Institutions	5.2	20.1	36.1	38.1	0.5	100.0
Percentage of Households	6.7	25.8	36.8	30.7	0.0	100.0
Percentage of Families	6.3	23.4	37.0	33.3	0.0	100.0
Percentage of Businesses	6.1	17.0	31.6	44.9	0.4	100.0
Source: Bank records, 2010 U.S. Census, 2013 D&B						

BOW does not operate any branches in low-income tracts, which is below comparable branches, households, families and businesses. However, the bank does operate four branches in moderate-income tracts. The 22.2 percent of branches located in moderate-income areas slightly exceeds the competition and is generally comparable to the household, family, and business

demographics of the AAs. Table AZ-19 presents the bank's penetration of LMI geographies compared to all other institutions.

<b>Table AZ-19 LMI CT Branch Distribution</b>				
<b>AA</b>	<b>Low-Income CTs</b>		<b>Moderate-Income CTs</b>	
	<b>Bank (%)</b>	<b>Aggregate (%)</b>	<b>Bank (%)</b>	<b>Aggregate (%)</b>
Phoenix MSA	0.0	5.0	75.0	18.2
Flagstaff MSA	0.0	0.0	0.0	20.0
Tucson MSA	0.0	6.5	14.3	30.3
Prescott MSA	0.0	0.0	0.0	50.0
Arizona Non-MSA	0.0	2.5	0.0	2.5
<i>Source: Bank records, 2012 Peer Deposit Data</i>				

In the Tucson AA, the bank has fewer branches in LMI areas than the aggregate. In the Phoenix MSA, the bank has fewer branches in low-income areas than the aggregate; however, the bank has 75.0 percent of its branches in moderate-income geographies that far exceed the competition.

### **Change in Branch Locations**

To the extent changes have been made, the institution's opening and closing of branches has adversely affected the accessibility of its delivery systems, particularly in LMI geographies and/or to LMI individuals. BOW has not opened any new branches in Arizona during the evaluation period. BOW closed six branches. The six branches were located in one moderate-income CT and five middle-income CTs. A review of maps indicate that the branch closure in a moderate-income CT in Yavapai County (Prescott MSA AA), and the two branch closures in middle-income CTs in Apache and Navajo Counties (Arizona Non-MSA AA), have adversely affected accessibility of services to LMI individuals. The two branch closures in Apache and Navajo Counties are located in distressed areas due to high poverty and unemployment levels. The other three branch closures in middle-income CTs in the Phoenix and Tucson MSA's had less effect on LMI individuals.

### **CD Services**

BOW provided a relatively high level of CD services in Arizona. As shown in Table AZ-20 on the following page, BOW's employees conducted CD services that totaled 880 hours over the review period, compared to 633 at the previous evaluation. Most of the hours worked involved providing economic development or community services directed to LMI individuals and communities. An example of a significant service includes technical assistance on financial matters to a CD financial institution by serving on the board of directors and loan review committee.

Table AZ-20 CD Services												
AA	Total		Affordable Housing		Community Services		Economic Development		Revitalization or Stabilization		Neighborhood Stabilization	
	#	Hours	#	Hours	#	Hours	#	Hours	#	Hours	#	Hours
<b>2011</b>												
Phoenix MSA	1	12	0	0	1	12	0	0	0	0	0	0
Tucson MSA	19	79	0	0	19	79	0	0	0	0	0	0
Flagstaff MSA	0	0	0	0	0	0	0	0	0	0	0	0
Prescott MSA	0	0	0	0	0	0	0	0	0	0	0	0
Arizona Non-MSA	5	7	0	0	5	7	0	0	0	0	0	0
<b>Total AZ – 2011</b>	<b>25</b>	<b>98</b>	<b>0</b>	<b>0</b>	<b>25</b>	<b>98</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>2012</b>												
Phoenix MSA	0	0	0	0	0	0	0	0	0	0	0	0
Tucson MSA	30	311	1	2	13	188	9	104	7	17	0	0
Flagstaff MSA	0	0	0	0	0	0	0	0	0	0	0	0
Prescott MSA	0	0	0	0	0	0	0	0	0	0	0	0
Arizona Non-MSA	5	8	0	0	5	8	0	0	0	0	0	0
<b>Total AZ – 2012</b>	<b>35</b>	<b>319</b>	<b>1</b>	<b>2</b>	<b>18</b>	<b>196</b>	<b>9</b>	<b>104</b>	<b>7</b>	<b>17</b>	<b>0</b>	<b>0</b>
<b>2013</b>												
Phoenix MSA	1	4	0	0	1	4	0	0	0	0	0	0
Tucson MSA	71	437	4	8	32	125	35	304	0	0	0	0
Flagstaff MSA	0	0	0	0	0	0	0	0	0	0	0	0
Prescott MSA	0	0	0	0	0	0	0	0	0	0	0	0
Arizona Non-MSA	14	22	0	0	14	22	0	0	0	0	0	0
<b>Total AZ – 2013</b>	<b>86</b>	<b>463</b>	<b>4</b>	<b>8</b>	<b>47</b>	<b>151</b>	<b>35</b>	<b>304</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Grand Total</b>	<b>146</b>	<b>880</b>	<b>5</b>	<b>10</b>	<b>90</b>	<b>445</b>	<b>44</b>	<b>408</b>	<b>7</b>	<b>17</b>	<b>0</b>	<b>0</b>
Source: Bank records												

# PHOENIX MSA FULL-SCOPE EVALUATION

## SCOPE OF EXAMINATION

Examiners conducted a full-scope, off-site evaluation of BOW's performance in the Phoenix MSA AA.

## DESCRIPTION OF THE PHOENIX MSA ASSESSMENT AREA

The counties that comprise this AA are detailed in the statewide description. Table AZ-21 reflects the demographics of the AA.

Table AZ-21 – Phoenix AA Demographic Information						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA % of #
CTs	991	9.2	24.5	33.9	31.4	1.0
Population by CT Income Level	4,192,887	8.2	24.7	36.0	30.9	0.2
Owner-Occupied Housing Units by CT Income Level	1,008,811	3.7	21.5	38.1	36.7	0.0
Businesses by CT Income Level	418,413	6.3	15.8	30.8	46.6	0.5
Families by Income Level	1,000,063	21.2	17.8	20.4	40.6	0.0
Families by CT Income Level	1,000,063	6.8	23.1	36.4	33.7	0.0
Median Family Income		\$64,408	Median Housing Value		\$251,130	
HUD Adjusted Median Family Income for 2013		\$62,200				
Households Below Poverty Level		12.0%				
Source: 2010 U.S. Census Data, 2013 D&B Data						

According to Moody's Economy.com the Phoenix economy is recovering and has regained just over half of the jobs lost during the national recession. The service industry continues to drive the recovery with strong hiring in professional, financial, and healthcare services. The unemployment rate of 6.8 percent is well below the statewide unemployment rate of 8.0 percent. The housing market is improving with a forecast of steady growth in 2014. It is expected that the recovery will bring continued job growth, rising house prices, and consumer spending.

## PERFORMANCE TEST CONCLUSIONS

Data applicable to the AA indicates that the overall performance is generally similar to the statewide performance. Please refer to the statewide performance test conclusions for performance differences, if any.

## LENDING TEST

A more in-depth borrower profile and geographic distribution review of loans originated in the Phoenix MSA AA are presented below. Other Lending Test criteria are fully described in the

Lending Test section of the CAA and the statewide performance test conclusions. Small business and HMDA loans were weighted equally based on the number of loans originated. Small farm loans performance was not evaluated due to the limited number of loans originated within this AA. Data supporting the ratings is presented in the statewide performance test conclusions section.

### **Borrower Profile**

BOW's distribution of borrowers in the Phoenix MSA AA reflects, given the product lines offered by the institution, good penetration among retail customers of different income levels and business customers of different revenue sizes.

#### **Small Business Loans**

The bank has excellent loan penetration in the Phoenix MSA AA. In 2012, 68.0 percent of loans were to small businesses earning GARs of \$1 million or less, compared to aggregate data of 39.1 percent. In 2013, the bank's loan performance shows a downward trend to 60.0 percent, which is below the B&B data of 72.5 percent.

#### **HMDA Loans**

The bank has adequate loan penetration to HMDA borrowers in the Phoenix MSA AA. In 2012, the loan penetration of 6.4 percent was below the aggregate data of 8.4 percent for low-income borrowers, but the loan penetration to moderate-income borrowers of 24.5 percent exceeded the aggregate data of 15.7 percent. In 2013, BOW's loan performance shows an upward trend to low-income borrowers and a downward trend to moderate-income borrowers.

### **Geographic Distribution**

BOW's overall distribution of loans reflects good penetration throughout the Phoenix MSA AA.

#### **Small Business Loans**

The geographic distribution of small business loans reflects good penetration throughout the Phoenix MSA AA. BOW's 2012 loan penetration in low-income CTs was 16.0 percent, which is above the aggregate data of 7.0 percent. Also, the bank's loan performance in the moderate-income CTs of 40.0 percent was considerably above the aggregate data of 14.7 percent. In 2013, the bank's loan performance trended significantly downward in the LMI CTs; however, the bank's performance in the moderate-income CTs of 18.2 percent was still above the D&B data of 15.3 percent.

#### **HMDA Loans**

The geographic distribution of residential loans reflects good penetration throughout the Phoenix MSA AA. In 2012, BOW's loan penetration in low-income CTs of 2.1 percent is above the aggregate data of 1.1 percent. Also, the bank's loan performance of 18.1 percent in the moderate-

income CTs was significantly above the aggregate data of 10.6 percent. In 2013, the bank's loan performance trended upwards in its LMI CTs.

### **INVESTMENT TEST**

BOW's Investment Test performance in this AA is consistent with the institution's Investment Test performance in the state.

### **SERVICE TEST**

BOW's Service Test performance in this AA is consistent with the institution's Service Test performance in the state.

## **Limited-Scope AA Evaluations**

Data applicable to the limited-scope AAs indicates that performance is consistent with the institution's performance in the state. Demographic data regarding limited-scope AAs is located in Appendix F.

# OKLAHOMA

*The Lending Test is rated:*                      *High Satisfactory*  
*The Investment Test is rated:*                *Outstanding*  
*The Service Test is rated:*                      *Low Satisfactory*

BOW's Oklahoma CRA Rating is **Satisfactory**.

## SCOPE OF EXAMINATION AND DESCRIPTION OF OPERATIONS

Examiners conducted a full-scope, off-site evaluation of the bank's performance in the Oklahoma Non-MSA AA. Examiners conducted off-site, limited-scope reviews of the two other AAs. A review of FDIC records and the bank's CRA public file, revealed no CRA complaints since the last evaluation in this area. BOW operates 14 branches within Oklahoma. Refer to the Service Test portion of this evaluation for details regarding BOW's delivery systems and any changes that occurred over the review period.

## DESCRIPTION OF THE OKLAHOMA ASSESSMENT AREA

Table OK-1 details the counties that comprise the Oklahoma AAs.

Table OK-1 – AA Composition, Branches, and ATMs					
AA	MSA or MD	MSA or MD #	Counties	Branches	ATMs
Oklahoma Non-MSA	Oklahoma Non-MSA	99999	Garfield, Kay, Payne, Washington, Pontotoc, Seminole, Carter	6	6
Oklahoma City MSA	Oklahoma City MSA	36420	Cleveland, Oklahoma	6	6
Tulsa MSA	Tulsa MSA	46140	Tulsa	2	2
<b>Statewide</b>			<b>Total Branches/ATMs</b>	<b>14</b>	<b>14</b>
<i>Source: Bank records</i>					



Table OK-2 details the demographics of the Oklahoma AAs combined.

Table OK-2 – Demographic Information						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA % of #
CTs	561	9.5	26.9	36.7	26.2	0.7
Population by CT Income Level	1,923,790	6.9	24.2	38.8	30.0	0.1
Owner-Occupied Housing Units by CT Income Level	473,409	3.8	19.1	41.4	35.7	0.0
Businesses by CT Income Level	211,181	6.1	21.0	35.9	36.3	0.7
Families by Income Level	471,498	21.3	17.7	19.9	41.1	0.0
Families by CT Income Level	471,498	5.7	22.1	39.8	32.4	0.0
Median Family Income		54,649	Median Housing Value		\$120,240	
HUD Adjusted Median Family Income for 2013		56,277				
Households Below Poverty Level		15.0%				
Source: 2010 U.S. Census Data, 2013 D&B Data						

According to Moody's Economy.com, Oklahoma's labor market is tightening and wage incomes are growing faster than the national average. Energy companies are increasing oil production, lifting the states rig and mining payrolls. Energy related research and manufacturing has increase. The new American Airlines Group has plans to lay off 400 of the 6,000 workers at its maintenance and engineering facility in Tulsa. Oklahoma's housing market reflects a stable trend as foreclosure rates are decreasing. The end of deleveraging is upon Oklahoma consumers, who will begin to leverage more debt for spending. Home equity loans have bottomed, while loans for first mortgages and consumer credit have increased steadily. This will have a profound impact on the housing market and consumer spending. At nearly 7.0 percent, the jobless rate is well below the national average, but contracting labor signals limited job opportunities. According to the U.S. BLS, as of January 2014, the unemployment rate for Oklahoma was 5.2 percent. Major employers in the state included Fort Still, Tinker Air Force Base, University of Oklahoma, FAA Mike Monroney Aeronautical Center, American Airlines, Chesapeake Energy Corporation, and several large health facilities.

#### Community Contact Observations

A previous community contact was utilized to help determine the current economic conditions, the community credit needs, and the potential opportunities for bank involvement in the State of Oklahoma. The contact stated that the area has historically been dependent on the energy industry, education, and medical services. Affordable housing options include single-family and multi-family housing in the downtown area close to the University of Central Oklahoma. Considering information from the community contact, bank management, and demographic and economic data, examiners determined that affordable housing loans represent a primary credit need in the bank's AAs. The contact also stated the banks have many opportunities for lending, as small businesses and residential real estate development are seeing growth in the area.

## STATEWIDE PERFORMANCE TEST CONCLUSIONS

### LENDING TEST

BOW's Lending Test performance is rated High Satisfactory. Residential lending performance is given the most weight, followed by small business lending. Examiners did not evaluate small farm lending because of the limited amount of originations during the review period.

#### Lending Activity

BOW's lending levels reflect good responsiveness to the AA's credit needs. Examiners reviewed the number and dollar volume of loans originated over the review period, as well as market share and market ranking figures for primary loan products to determine the bank's level of lending relative to the AA's credit needs. Aggregate small business and HMDA data is not yet available for 2013. The bank's performance in HMDA lending carries the most weight.

In 2012 and 2013, the bank originated 453 residential mortgages totaling \$50.2 million, compared to 204 small business loans totaling \$24.9 million, and 7 small farm loans totaling approximately \$500,000.

#### HMDA Loans

Table OK-3 details BOW's HMDA mortgage loan market ranking and market shares during 2012 in the Oklahoma AA.

Table OK-3 – HMDA Loan Market Share		
AA	2012	
	Rank (\$)	Market Share %
All Oklahoma AAs Combined	33 of 108	0.3
Oklahoma Non-MSA	12 of 302	1.8
Oklahoma City MSA	54 of 433	0.3
Tulsa MSA	95 of 355	0.1
Source: 2012 CRA Aggregate Data and June 2013 FDIC Summary of Deposits		

Examiners reviewed HMDA loan market share and market ranking data based on dollar volume rather than number of loans originated. BOW's HMDA lending levels also reflect good responsiveness to AA credit needs in this saturated industry. BOW ranked a favorable 33<sup>rd</sup> of 108 of reporting lenders in 2012. BOW's market share and ranking is likely to further increase as the housing market continues to improve.

### Small Business Loans

Table OK-4 details BOW's small business loan market ranking and market shares during 2012 by loan type in the Oklahoma AA.

<b>Table OK-4 – Small Business Loan and Deposit Market Shares</b>			
<b>AA</b>	<b>2012</b>		<b>Deposit Market Share %</b>
	<b>Rank (\$)</b>	<b>Market Share %</b>	
All Oklahoma AAs Combined	31 of 108	0.6	0.5
Oklahoma Non-MSA	22 of 58	0.7	2.4
Oklahoma City MSA	32 of 86	0.9	0.5
Tulsa MSA	35 of 73	0.2	0.2
<i>Source: 2012 CRA Aggregate Data and June 2013 FDIC Summary of Deposits</i>			

Examiners reviewed small business loan market share and market ranking data based on dollar volume rather than number of loans originated. Dollar volumes represent a more relevant comparison, because the market share data includes national credit card lenders. The credit card lenders report numerous small dollar loans that skew the market share ranking based on number of loans originated. Credit card lenders do not provide traditional small businesses loans in the same manner as BOW and its local competitors. BOW's small business lending levels reflect good responsiveness to AA credit needs in the highly competitive Oklahoma banking environment. BOW ranked a favorable 31 of 108 of reporting small business lenders in 2012.

### Small Farm Loans

BOW is not an active small farm lender with only 7 small farm loans totaling approximately \$500,000 originated in 2012 and 2013, or less than 1.0 percent of all BOW-reportable loans by number and 0.6 percent by dollar volume. To ensure brevity in presentation, small farm lending tables are not presented. Small farm lending data was reviewed and found to be consistent with small business lending geographic distributions and borrower profiles.

### Borrower Profile

The distribution of borrowers in Oklahoma reflects, given the product lines offered by the institution, good penetration among retail customers of different income levels and business customers of different revenue sizes.

## HMDA Loans

Table OK-5 on details BOW's distribution of HMDA loans by borrower income in all Oklahoma AAs combined.

<b>Table OK-5 – HMDA Loan Borrower Profile</b>						
<b>Borrower Income Level</b>	<b>2010 Census Families</b>	<b>2012 Aggregate Data</b>	<b>2012 Bank</b>		<b>2013 Bank</b>	
	<b>%</b>	<b>%</b>	<b>#</b>	<b>%</b>	<b>#</b>	<b>%</b>
Low	21.3	6.4	19	7.0	13	7.2
Moderate	17.7	16.0	55	20.2	30	16.6
Middle	19.9	19.0	71	26.1	47	25.9
Upper	41.1	42.7	123	45.2	90	49.7
Income Not Reported	0.0	15.9	4	1.5	1	0.6
<b>Total</b>	<b>100.0</b>	<b>100.0</b>	<b>272</b>	<b>100.0</b>	<b>181</b>	<b>100.0</b>
<i>Source: 2010 U.S. Census, 2012 HMDA Aggregate Data, 2012 and 2013 HMDA LARs</i>						

BOW has achieved a good level of lending to LMI borrowers in the State of Oklahoma. In 2012, the bank's loan penetration to low-income borrowers (7.0 percent) slightly exceeds the aggregate lending data (6.4 percent). In addition, BOW's 2012 loan penetration to moderate-income borrowers (20.2 percent) is above aggregate lending data (16.0 percent).

In 2013, loan penetration to low-income borrowers (7.2 percent) remains relatively unchanged, but it is below the percentage of low-income families (21.3 percent). Lending to moderate-income borrowers (16.6 percent) reflects a downward trend and is below the percentage of moderate-income families (17.7 percent).

Table OK-6 details BOW's penetration to low-income borrowers within each AA in Oklahoma.

<b>Table OK-6 –Low-Income Borrower Penetration Rate By AA</b>						
<b>AA</b>	<b>2010 Census Families</b>	<b>2012 Aggregate Data</b>	<b>2012 Bank</b>		<b>2013 Bank</b>	
	<b>%</b>	<b>%</b>	<b>#</b>	<b>%</b>	<b>#</b>	<b>%</b>
Oklahoma Non-MSA	19.5	4.8	13	7.3	6	4.4
Oklahoma City MSA	22.2	6.5	5	6.5	4	13.3
Tulsa MSA	21.0	6.8	1	5.6	3	18.8
<i>Source: 2010 U.S. Census, 2012 Aggregate Data, and 2012, 2013</i>						

BOW's performance reflects good responsiveness in its two largest AAs in 2012, with the exception of Tulsa MSA. The bank's HMDA loans either exceeded or were comparable to the aggregate data. While 2013 data is not above the demographic data, two of the three AAs reflect an upward trend.

Table OK-7 details BOW's penetration to moderate-income borrowers within each AA in Oklahoma.

<b>Table OK-7 –Moderate-Income Borrower Penetration Rate By AA</b>						
<b>AA</b>	<b>2010 Census Families</b>	<b>2012 Aggregate Data</b>	<b>2012 Bank</b>		<b>2013 Bank</b>	
	<b>%</b>	<b>%</b>	<b>#</b>	<b>%</b>	<b>#</b>	<b>%</b>
Oklahoma Non-MSA	17.4	16.3	34	19.2	22	16.3
Oklahoma City MSA	17.9	16.4	18	23.4	6	20.0
Tulsa MSA	17.6	13.6	3	16.7	2	12.5
<i>Source: 2010 U.S. Census, 2012 HMDA Aggregate Data, 2012 and 2013 HMDA LARs</i>						

BOW's performance reflected good responsiveness in all of its borrowers in 2012. In 2012, all of the bank's HMDA loans exceeded the aggregate data. In 2013, most of BOW's loan penetration to moderate-income borrowers by AA is comparable to the demographic data.

#### Small Business Loans

The small business loan borrower profile is good. Table OK-8 details BOW's distribution of small business loans by GAR in all Oklahoma AAs combined.

<b>Table OK-8 – Small Business Loan Borrower Profile</b>						
<b>Gross Annual Revenues</b>	<b>2013 D&amp;B</b>	<b>2012 Aggregate Data</b>	<b>2012 Bank</b>		<b>2013 Bank</b>	
	<b>%</b>	<b>%</b>	<b>#</b>	<b>%</b>	<b>#</b>	<b>%</b>
≤ \$1 Million	66.9	39.8	42	50.6	80	66.1
> \$1 Million	4.5		39	47.0	39	32.2
Not Applicable	28.6		2	2.4	2	1.7
<b>Total</b>	<b>100.0</b>		<b>83</b>	<b>100.0</b>	<b>121</b>	<b>100.0</b>
<i>Source: Source: 2013 D&amp;B, 2012 Aggregate Data, 2012 and 2013 CRA LRs</i>						

The distribution of borrowers throughout the State of Oklahoma to businesses with GARs of \$1 million or less in 2012 (50.6 percent) exceeds the aggregate data (39.8 percent).

In 2013, the percentage of loans to businesses with GARs of \$1 million or less reflects an upward trend (66.1 percent). BOW's 2013 lending levels are comparable to the percentage of businesses with GAR of \$1 million or less (66.9 percent).

Table OK-9 details the level of BOW loans made to small business loans by GAR across each AA.

<b>Table OK-9 – Small Business Penetration Rate By AA</b>						
AA	2013 D&B	2012 Aggregate Data	2012 Bank		2013 Bank	
	%	%	#	%	#	%
Oklahoma Non-MSA	71.5	43.6	15	60.0	27	77.1
Oklahoma City MSA	68.7	38.5	25	52.1	37	56.1
Tulsa MSA	62.7	39.9	2	20.0	16	80.0
<i>Source: 2013 D&amp;B, 2012 CRA Aggregate Data, 2012 and 2013 CRA LRs</i>						

In 2012, bank reflects good loan penetration to small businesses in all AAs, with the exception of Tulsa MSA. In two of the three AAs, the BOW's lending performance is significantly higher than the aggregate data. Although the lending performance in the Tulsa MSA (20.0 percent) lagged behind the aggregate data (39.9 percent), the lending performance shows a dramatic increase (80.0 percent) in 2013.

### **Geographic Distribution**

The geographic distribution of loans reflects good penetration throughout the AAs.

### **HMDA Loans**

The geographic distribution of HMDA loans reflects an adequate penetration throughout the Oklahoma AA. For comparison purposes, aggregate data as a percentage of the total number of loans and the percentage of owner-occupied housing units are shown.

Table OK-10 details BOW's statewide geographic distribution for HMDA loans.

<b>Table OK-10 – HMDA Loan Geographic Distribution</b>						
CT Income Level	Owner-Occupied Housing Units	2012 Aggregate Lending Data	2012 Bank		2013 Bank	
	%	%	#	%	#	%
Low	3.8	1.3	5	1.9	0	0.0
Moderate	19.1	11.5	31	11.4	31	17.1
Middle	41.4	36.4	132	48.5	92	50.8
Upper	35.7	50.8	104	38.2	58	32.1
N/A	0.0	0.0	0	0.0	0	0.0
<b>Total</b>	<b>100.0</b>	<b>100.0</b>	<b>272</b>	<b>100.0</b>	<b>181</b>	<b>100.0</b>
<i>Source: 2010 U.S. Census, 2012 HMDA Aggregate Data, 2012 and 2013 HMDA LARs</i>						

The bank's 2012 lending in low-income CTs (1.9 percent) exceeds the aggregate data (1.3 percent). BOW's 2012 loan penetration to moderate-income CTs (11.4 percent) is comparable to the aggregate data (11.5 percent).

In 2013, the bank did not originate any loans in low-income CTs. This is not unreasonable due to the limited opportunities within the state and owner-occupied housing units. However, the 2013 lending in moderate-income CTs reflects an upward trend (17.1 percent) and is comparable with the percentage of owner-occupied housing units (19.1 percent). The bank's 2013 dispersion of lending in LMI areas reflects a reasonable dispersion despite the lack of penetration in the low-income CTs.

Table OK-11 details the geographic distribution of HMDA loans in low-income CTs within each AA.

<b>Table OK-11 – HMDA Low-Income CT Penetration By AA</b>						
AA	Owner-Occupied Housing Units	2012 Aggregate Data	2012 Bank		2013 Bank	
	%	%	#	%	#	%
Oklahoma Non-MSA	0.6	0.9	0	0.0	0	0.0
Oklahoma City MSA	4.1	1.4	3	3.9	0	0.0
Tulsa MSA	5.4	1.4	2	11.1	0	0.0
<i>Source: 2013 D&amp;B, 2010 and 2011 Aggregate Data, and 2010, 2011, and 2012 CRA LRs</i>						

HMDA loans represent adequate penetration in low-income CTs throughout all of Oklahoma's AAs. In 2012, the bank's distribution of lending in two of the low-income AA exceeds the aggregate lending data except for the Non-MSA AA. In 2013, the bank did not lend in low-income CTs.

Table OK-12 shows the geographic distribution of HMDA loans in moderate-income CTs within each AA.

<b>Table OK-12 – HMDA Moderate-Income CT Penetration By AA</b>						
AA	Owner-Occupied Housing Units	2012 Aggregate Data	2012 Bank		2013 Bank	
	%	%	#	%	#	%
Oklahoma Non-MSA	11.3	6.1	17	9.6	19	14.1
Oklahoma City MSA	21.1	12.9	13	16.9	7	23.3
Tulsa MSA	20.6	10.9	1	5.6	5	31.3
<i>Source: 2013 D&amp;B, 2010 and 2011 Aggregate Data, and 2010, 2011, and 2012 CRA LRs</i>						

HMDA loans represent adequate penetration in moderate-income CTs throughout all of Oklahoma's AAs. In 2012, BOW's lending percentages exceed the aggregate data in two of the three AAs. In 2013, the bank's lending in all three AAs show an upward trend at a rate that exceeds the percentage of owner-occupied housing units in those areas.

### Small Business Loans

The geographic distribution of small business loans reflects excellent penetration throughout the combined Oklahoma AAs. For comparison purposes, the table includes aggregate lending data as a percentage of the total number of loans and the percentage of total businesses within the Oklahoma AAs.

Table OK-13 details BOW's statewide geographic distribution for small business loans.

<b>Table OK-13 – Small Business Loan Geographic Distribution</b>						
CT Income Level	2013 D&B	2012 Aggregate Data	2012 Bank		2013 Bank	
	%	%	#	%	#	%
Low	6.1	1.9	5	6.0	13	10.7
Moderate	21.0	5.3	21	25.3	19	15.7
Middle	35.9	67.6	40	48.2	61	50.4
Upper	36.3	23.9	17	20.5	26	21.5
N/A	0.7	1.3	0	0.0	2	1.7
<b>Total</b>	<b>100.0</b>	<b>100.0</b>	<b>83</b>	<b>100.0</b>	<b>121</b>	<b>100.0</b>
<i>Source: 2013 D&amp;B, 2012 Aggregate Data, 2012 and 2013 CRA LRs</i>						

In 2012, BOW's lending distribution in low-income CTs (6.0 percent) exceeds the aggregate data (1.9 percent). Also, the bank's loan distribution in moderate-income CTs (25.3 percent) substantially exceeds the aggregate data (5.3 percent).



In 2013, BOW's loan dispersion in low-income CTs (10.7 percent) reflects an upward trend while also exceeding the D&B data (6.1 percent). However, the bank's loan dispersion in moderate-income CTs reflects a downward trend (15.7 percent), but remains below the D&B data (20.9 percent).

Table OK-14 details level of loans made to low-income borrowers across each AA.

<b>Table OK-14 – Small Business Low-Income CT Penetration By AA</b>						
AA	2013 D&B	2012 Aggregate Data	2012 Bank		2013 Bank	
	%	%	#	%	#	%
Oklahoma Non-MSA	3.6	2.9	0	0.0	1	2.9
Oklahoma City MSA	6.5	8.0	4	8.3	12	18.2
Tulsa MSA	6.5	6.9	1	10.0	0	0.0
<i>Source: 2013 D&amp;B, 2012 Aggregate Data, 2012 and 2013 CRA LRs</i>						

In 2012, the bank's lending exceeds the aggregate data in two of the three AAs with the exception of the Oklahoma Non-MSA. BOW did not originate any loans in the low-income CTs of the Oklahoma Non-MSA. This is reasonable due to the limited opportunities within this AA. In 2013, the bank's loan penetration in the low-income CTs of the Oklahoma Non-MSA shows a positive trend.

Table OK-15 details the level of loans made to moderate-income borrowers across each AA.

<b>Table OK-15 – Small Business Moderate-Income CT Penetration By AA</b>						
AA	2013 D&B	2012 Aggregate Data	2012 Bank		2013 Bank	
	%	%	#	%	#	%
Oklahoma Non-MSA	14.3	12.3	0	0.0	2	5.7
Oklahoma City MSA	20.8	18.7	15	31.3	9	13.6
Tulsa MSA	23.6	22.9	6	60.0	8	40.0
<i>Source: 2013 D&amp;B, 2012 Aggregate Data, 2012 and 2013 CRA LRs</i>						

In 2012, the bank's lending significantly exceeds the aggregate data in two of the three AAs with the exception of the Oklahoma Non-MSA. BOW did not originate any loans in the moderate-income CTs of the Oklahoma Non-MSA. In 2013, the bank's loan penetration in the low-income CTs of the Oklahoma Non-MSA (5.7 percent) reflects a positive trend.

### **Record of Serving the Credit Needs of Highly Economically Disadvantaged**

BOW exhibits a good record of serving the credit needs of the most economically disadvantaged areas of its Oklahoma AAs, LMI individuals, and very small businesses, consistent with safe and sound banking practices.

## CD Loans

BOW is a leader in making CD loans in the Oklahoma AA relative to its position in the state as the 40<sup>th</sup> largest bank in the AA. The bank has a market share of 0.6 percent in an AA with 249 institutions. The bank originated 17 CD loans totaling \$75.3 million since the previous evaluation. This represents 0.2 percent of the total dollar volume of the bank's CD lending activity. When adjusted for the difference in examination periods, the volume of loans showed a 48.7 percent increase from the previous evaluation. CD lending in Oklahoma was concentrated, with 71.5 percent of all CD lending dollars responding to revitalization of LMI tracts, and the remainder of the lending was allocated to CD services.

**Table OK-16 – CD Lending**

AA	Total		Affordable Housing		Community Services		Economic Development		Revitalization or Stabilization		Neighborhood Stabilization	
	#	\$ (000)	#	\$ (000)	#	\$ (000)	#	\$ (000)	#	\$ (000)	#	\$ (000)
<b>2011</b>												
Oklahoma Non-MSA	1	18,000	0	0	0	0	0	0	1	18,000	0	0
Oklahoma City MSA	4	7,719	0	0	1	1,899	0	0	3	5,820	0	0
Tulsa MSA	1	6,000	0	0	0	0	0	0	1	6,000	0	0
<b>Sub-Total</b>	<b>6</b>	<b>31,719</b>	<b>0</b>	<b>0</b>	<b>1</b>	<b>1,899</b>	<b>0</b>	<b>0</b>	<b>5</b>	<b>29,820</b>	<b>0</b>	<b>0</b>
<b>2012</b>												
Oklahoma Non-MSA	0	0	0	0	0	0	0	0	0	0	0	0
Oklahoma City MSA	3	11,942	0	0	0	0	0	0	3	11,942	0	0
Tulsa MSA	1	2,500	0	0	0	0	0	0	1	2,500	0	0
<b>Sub-Total</b>	<b>4</b>	<b>14,442</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>4</b>	<b>14,442</b>	<b>0</b>	<b>0</b>
<b>2013</b>												
Oklahoma Non-MSA	2	3,300	0	0	0	0	0	0	2	3,300	0	0
Oklahoma City MSA	5	25,837	0	0	3	19,546	0	0	2	6,291	0	0
Tulsa MSA	0	0	0	0	0	0	0	0	0	0	0	0
<b>Sub-Total</b>	<b>7</b>	<b>29,137</b>	<b>0</b>	<b>0</b>	<b>3</b>	<b>19,546</b>	<b>0</b>	<b>0</b>	<b>4</b>	<b>9,591</b>	<b>0</b>	<b>0</b>
<b>Grand Total</b>	<b>17</b>	<b>75,298</b>	<b>0</b>	<b>0</b>	<b>4</b>	<b>21,445</b>	<b>0</b>	<b>0</b>	<b>13</b>	<b>53,853</b>	<b>0</b>	<b>0</b>
<i>Source: Bank records</i>												

Table OK-16 on the previous page details the bank's CD lending activity in Oklahoma. The following are two of the more notable CD loans originated by BOW during the review period:

- A participation in a \$6 million revolving line of credit to finance grain inventory and accounts receivables. The facility is adjacent to a moderate-income area and resides in the State of Oklahoma's Garfield County Enterprise Zone. The company employs up to 275 workers that consist of LMI individuals. The loan will assist in continuing to revitalize and stabilize this area by retaining numerous permanent and new jobs for LMI residents in the area.
- Renewal of a \$4.1 million term loan for a 37-unit shopping center. The shopping center stabilizes the adjacent LMI communities by providing needed pharmaceutical and low cost shopping services that would not otherwise be available to the community.

## **INVESTMENT TEST**

BOW's Investment Test rating is Outstanding. The bank has an excellent level of qualified CD investments and grants, often in a leadership position, particularly those that are not routinely provided by private investors. BOW's investments exhibit an excellent responsiveness to credit and CD needs of the Oklahoma AAs. The institution makes significant use of innovative or complex investments to support CD initiatives. BOW held 8 qualified investments purchased prior to the previous evaluation with a current book value of \$5.8 million, and purchased 1 new qualifying investment during the current evaluation period totaling \$5.0 million. The new investment was for a LIHTC equity fund that invests in affordable housing projects across the state, which is a specific CD need noted by a community contact. Please refer to the investment discussion in the CAA analysis for details on investments.

Table OK-17 on the following page details the bank's CD donations. The bank reported \$145,000 in donations and grants, which is a significant increase from the \$29,000 reported at the previous evaluation. Qualified investments and donations covered the Oklahoma AAs in a manner consistent with the bank's allocation of resources.

Table OK-17 – CD Donations												
Assessment Area	Total		Affordable Housing		Community Services		Economic Development		Revitalization or Stabilization		Neighborhood Stabilization	
	#	\$(000)	#	\$(000)	#	\$ (000)	#	\$ (000)	#	\$ (000)	#	\$ (000)
<b>2011</b>												
Oklahoma Non-MSA	7	5	3	2	2	2	2	1	0	0	0	0
Oklahoma City MSA	8	35	2	10	5	21	1	4	0	0	0	0
Tulsa MSA	1	3	0	0	1	3	0	0	0	0	0	0
<b>Total OK-2011</b>	<b>16</b>	<b>43</b>	<b>5</b>	<b>12</b>	<b>8</b>	<b>26</b>	<b>3</b>	<b>5</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>2012</b>												
Oklahoma Non-MSA	9	10	2	2	6	7	1	1	0	0	0	0
Oklahoma City MSA	9	41	2	10	6	27	1	4	0	0	0	0
Tulsa MSA	1	1	1	1	0	0	0	0	0	0	0	0
<b>Total OK-2012</b>	<b>19</b>	<b>52</b>	<b>5</b>	<b>13</b>	<b>12</b>	<b>34</b>	<b>2</b>	<b>5</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>2013</b>												
Oklahoma Non-MSA	7	6	1	1	5	4	1	1	0	0	0	0
Oklahoma City MSA	10	43	1	5	5	23	1	4	3	11	0	0
Tulsa MSA	1	1	0	0	1	1	0	0	0	0	0	0
<b>Total OK-2013</b>	<b>18</b>	<b>50</b>	<b>2</b>	<b>6</b>	<b>11</b>	<b>28</b>	<b>2</b>	<b>5</b>	<b>3</b>	<b>11</b>	<b>0</b>	<b>0</b>
<b>Grand Total</b>	<b>53</b>	<b>145</b>	<b>12</b>	<b>31</b>	<b>31</b>	<b>88</b>	<b>7</b>	<b>15</b>	<b>3</b>	<b>11</b>	<b>0</b>	<b>0</b>
<i>Source: Bank records</i>												

## SERVICE TEST

BOW is rated Low Satisfactory in the Oklahoma Service Test. Delivery systems are accessible to essentially all portions of the Oklahoma AAs. Services do not vary in a way that inconveniences portions of the AA particularly LMI geographies or individuals. To the extent changes have been made, the institutions opening and closing of branches has generally not adversely affected the accessibility of its delivery systems, particularly in LMI geographies or individuals. BOW has a relatively high level of CD services over the review period.

## **Reasonableness of Business Hours and Services**

Services do not vary in a way that inconveniences portions of the AA particularly LMI geographies or individuals. The bank operates a limited service branch in Oklahoma City located in an upper-income CT, which is not included in Table OK-18.

## **Accessibility of Delivery Systems**

Delivery systems are reasonably accessible to essentially all portions of the Oklahoma AAs. BOW operates 14 branches in Oklahoma. Table OK-18 presents BOW's distribution of branches and ATMs, as well as the percentages of branches and demographic information CT income levels in Oklahoma.

<b>Table OK-18 – Branch Structure</b>						
<b>Branch and ATM Distribution</b>	<b>CT Income Level</b>					
	<b>Low</b>	<b>Moderate</b>	<b>Middle</b>	<b>Upper</b>	<b>N/A</b>	<b>Total</b>
Number of Branches as of March 3, 2014	1	2	6	5	0	14
Percentage of Branches	7.1	14.3	42.9	35.7	0.0	100.0
Number of ATMs as of March 3, 2014	1	2	7	4	0	14
Percentage of ATMs	7.1	14.3	50.0	28.6	0.0	100.0
<b>Comparisons</b>						
Percentage of Branches - All Institutions	7.1	21.3	37.7	32.7	1.2	100.0
Percentage of Households	6.2	24.8	39.6	29.4	0.0	100.0
Percentage of Families	5.7	22.1	39.8	32.4	0.0	100.0
Percentage of Businesses	6.1	20.9	36.6	35.7	0.7	100.0
<i>Source: Bank records, 2010 U.S. Census, 2013 D&amp;B</i>						

BOW has a reasonable level of branches in low-income areas, when they are compared to the aggregate institutions, despite having less in moderate-income areas. The percentage of BOW's branches in low-income areas slightly exceeds the percentages of households, families, and businesses in those same areas. Conversely, the percentage of the moderate-income branches is below the aggregate institutions, households, families, and businesses.

Table OK-19 presents the LMI tract penetration rates compared to the competition for each AA.

<b>Table OK-19 – LMI CT Branch Distribution</b>				
<b>AA</b>	<b>Low-Income CTs</b>		<b>Moderate-Income CTs</b>	
	<b>Bank (%)</b>	<b>Aggregate (%)</b>	<b>Bank (%)</b>	<b>Aggregate (%)</b>
Oklahoma Non-MSA	7.1	3.6	7.1	10.9
Oklahoma City MSA	0.0	8.9	7.1	21.8
Tulsa MSA	0.0	6.3	0.0	25.4
<i>Source: Bank records, 2012 Peer Deposit Data</i>				

In the Oklahoma Non-MSA AA, the bank exceeds aggregate in its percentage of branches in low-income CTs, but it is below aggregate in moderate-income CTs. In both the Oklahoma City

MSA and Tulsa MSA AAs, the bank is below aggregate data in its percentage of branches in the LMI CTs.

### **Changes in Branch Locations**

To the extent changes have been made, the institutions opening and closing of branches has adversely affected the accessibility of its delivery systems, particularly in LMI geographies or individuals. Since the previous evaluation, BOW has closed five branches in Oklahoma. Two of the five branch closures were located in moderate-income CTs.

### **CD Services**

BOW has a relatively high level of CD services in Oklahoma. CD services increased from 134 hours reported at the previous evaluation to 472 hours at this evaluation. The activities the bank participated in were mainly focused on CD services and economic development.

Table OK-20 – CD Services												
AA	Total		Affordable Housing		Community Services		Economic Development		Revitalization or Stabilization		Neighborhood Stabilization	
	#	Hours	#	Hours	#	Hours	#	Hours	#	Hours	#	Hours
<b>2011</b>												
Oklahoma Non-MSA	1	9	0	0	1	9	0	0	0	0	0	0
Oklahoma City MSA	3	20	0	0	3	20	0	0	0	0	0	0
Tulsa MSA	0	0	0	0	0	0	0	0	0	0	0	0
<b>Sub-Total</b>	<b>4</b>	<b>29</b>	<b>0</b>	<b>0</b>	<b>4</b>	<b>29</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>2012</b>												
Oklahoma Non-MSA	0	0	0	0	0	0	0	0	0	0	0	0
Oklahoma City MSA	6	26	0	0	6	26	0	0	0	0	0	0
Tulsa MSA	0	0	0	0	0	0	0	0	0	0	0	0
<b>Sub-Total</b>	<b>6</b>	<b>26</b>	<b>0</b>	<b>0</b>	<b>6</b>	<b>26</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>2013</b>												
Oklahoma Non-MSA	1	3	0	0	1	3	0	0	0	0	0	0
Oklahoma City MSA	24	398	0	0	16	214	8	184	0	0	0	0
Tulsa MSA	10	16	0	0	10	16	0	0	0	0	0	0
<b>Sub-Total</b>	<b>35</b>	<b>417</b>	<b>0</b>	<b>0</b>	<b>27</b>	<b>233</b>	<b>8</b>	<b>184</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Grand Total</b>	<b>45</b>	<b>472</b>	<b>0</b>	<b>0</b>	<b>37</b>	<b>288</b>	<b>8</b>	<b>184</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
Source: Bank records												

## OKLAHOMA NON-MSA FULL-SCOPE EVALUATION

### SCOPE OF EXAMINATION

Examiners conducted a full-scope, off-site review of the Oklahoma Non-MSA AA.

### DESCRIPTION OF THE OKLAHOMA NON-MSA ASSESSMENT AREA

The counties that comprise this AA are detailed in the statewide description. Table OK-21 on the following page reflects the demographics of the AA.

Table OK-21 – Demographic Information						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA % of #
CTs	83	3.6	14.5	63.8	18.1	0.0
Population by CT Income Level	345,999	3.0	13.4	60.7	22.9	0.0
Owner-Occupied Housing Units by CT Income Level	89,156	0.6	11.3	60.7	27.4	0.0
Businesses by CT Income Level	31,401	3.3	14.1	59.8	22.8	0.0
Families by Income Level	85,454	19.5	17.4	19.8	43.3	0.0
Families by CT Income Level	85,454	1.0	12.8	60.9	25.3	0.0
Median Family Income		\$47,891	Median Housing Value		\$91,214	
HUD Adjusted Median Family Income for 2013		\$49,900				
Households Below Poverty Level		18.0%				
Source: 2010 U.S. Census Data, 2013 D&B Data						

## PERFORMANCE TEST CONCLUSIONS

### LENDING TEST

The Oklahoma Non-MSA AA full-scope evaluation represents a more in-depth review of the borrower profile and geographic distribution components of the Lending Test. Loan products analyzed include HMDA and small business loans.

#### Borrower Profile

BOW's distribution of borrowers in the Oklahoma Non-MSA reflects, given the product lines offered by the institution, good penetration among retail customers of different income levels and business customers of different revenue sizes. This conclusion is consistent with statewide performance.

#### HMDA Loans

The bank has good penetration level to LMI borrowers in the Oklahoma Non-MSA. In 2012, BOW's lending performance to low-income borrowers (7.3 percent) exceeds the aggregate data (4.8 percent). Also in 2012, the bank lending performance to moderate-income borrowers (19.2 percent) exceeds the aggregate lending data (16.3 percent). In 2013, the bank's lending performance to LMI borrowers shows a downward trend, but it also shows performance that is above the demographic data.

#### Small Business Loans

The distribution of borrowers reflects excellent penetration among business customers of different revenue sizes in the Oklahoma Non-MSA AA. In 2012, BOW originated 60.0 percent of loans to small businesses with GARs of \$1 million or less and significantly exceeds the aggregate data (43.6 percent). In 2013, the bank's lending performance to small business borrowers (77.1 percent) exceeds the D&B data and shows an upward trend.



## **Geographic Distribution**

BOW's geographic distribution of loans reflects adequate penetration throughout the Oklahoma Non-MSA AA.

### **HMDA Loans**

The geographic distribution of residential loans reflects good penetration throughout the Oklahoma Non-MSA AA. BOW did not originate any HMDA loans in low-income CTs. However, given that the percentage of owner-occupied housing units in low-income tracts is only 0.6 percent, according to the 2010 U.S. Census data, lending opportunities are limited and more weight was placed on the bank's performance in the moderate-income CTs. The penetration to moderate-income CTs (9.6 percent) exceeds the aggregate data (6.1 percent). In 2013, the bank's loan penetration in moderate-income CTs (14.1 percent) shows an upward trend that also exceeds the demographic data.

### **Small Business Loans**

The geographic distribution of small business loans reflects poor penetration throughout the Oklahoma Non-MSA AA. In 2012, the bank did not originate any loans in the LMI CTs. The 2012 aggregate data shows that lending opportunities were available in the LMI CTs, although they were somewhat limited in the low-income CTs. In 2013, the bank's loan penetration in the LMI CTs shows an upward trend that was also below the demographic data.

## **INVESTMENT TEST**

BOW's Investment Test performance in this AA is consistent with the institution's Investment Test performance in the state.

## **SERVICE TEST**

BOW's Service Test performance in this AA is consistent with the institution's Service Test performance in the state.

## **Limited-Scope AA Evaluations**

Data applicable to the limited-scope AAs indicates that performance is consistent with the institution's performance in the state. Demographic data regarding limited-scope AAs is located in Appendix F.

# NEVADA

*The Lending Test is rated:*                      *Low Satisfactory*  
*The Investment Test is rated:*                *High Satisfactory*  
*The Service Test is rated:*                    *Needs to Improve*

BOW's Nevada CRA Rating is **Satisfactory**.

## SCOPE OF EXAMINATION AND DESCRIPTION OF OPERATIONS

Examiners conducted a full-scope, off-site evaluation of the bank's performance in the Las Vegas MSA AA. Examiners conducted off-site, limited-scope reviews of the two other AAs. A review of FDIC records and the bank's CRA public file, revealed no CRA complaints since the previous evaluation in this area. BOW operates eight branches within Nevada. Refer to the Service Test portion of this evaluation for details regarding BOW's delivery systems and any changes that occurred over the review period.

## DESCRIPTION OF THE NEVADA ASSESSMENT AREA

Table NV-1 details the counties that comprise the Nevada AAs.

Table NV-1 – AA Composition, Branches, and ATMs					
AA	MSA or MD	MSA or MD #	Counties	Branches	ATMs
Las Vegas MSA	Las Vegas-Henderson-Paradise NV MSA	29820	Clark	5	5
Carson City MSA	Carson City NV MSA	16180	Carson City	1	1
Reno MSA	Reno NV MSA	39900	Washoe	2	2
<b>Statewide</b>			<b>Total Branches/ATMs</b>	8	8
<i>Source: Bank records</i>					

Table NV-2 reflects the demographics of the Nevada AAs combined.

Table NV-2 – Demographic Information						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA % of #
CTs	611	6.2	22.9	40.1	30.0	0.8
Population by CT Income Level	2,427,950	6.0	22.7	41.5	29.8	0.0
Owner-Occupied Housing Units by CT Income Level	515,281	2.0	15.6	44.7	37.7	0.0
Businesses by CT Income Level	153,858	5.9	22.8	39.5	30.9	0.9
Families by Income Level	572,811	20.3	18.0	21.7	40.0	0.0
Families by CT Income Level	572,811	5.2	20.7	42.0	32.1	0.0
Median Family Income		\$64,553	Median Housing Value	\$262,000		
HUD Adjusted Median Family Income for 2013		\$63,620				
Households Below Poverty Level		11.0%				
Source: 2010 U.S. Census Data, 2013 D&B Data						

According to Moody's Economy.com, Nevada's economy is slowly recovering from the national recession. Nevada is experiencing job expansions in construction, professional and technical services, and manufacturing. Although the unemployment rate remains high at 9.5 percent, this is an improvement from 11.1 percent in 2012. The housing market is gradually improving, although housing prices are still at 2003 levels, which signals that many homeowners are under water on their mortgages

### Community Contact Observation

The contact stated that the AA's economy is starting to recover from the national recession, but that Nevada's recovery generally lags the recoveries in other parts of the country. The primary industries in the AA include gaming, construction, military and government. The contact stated that the local financial institutions are not providing an adequate level of small business lending, including small business start-ups. The contact stated that there are opportunities for banks to participate in programs like the SBA's micro-loan and 504 programs, which can serve the unmet needs of local small businesses. The contact also stated that there is a need for more small business lending and an opportunity for the banks to meet this need.

## **STATEWIDE PERFORMANCE TEST CONCLUSIONS**

### **LENDING TEST**

BOW's Lending Test performance is rated Low Satisfactory. Small business and HMDA lending were equally weighted based on the level of activity. Small farm loans were not reviewed due to their nominal lending activity.

## Lending Activity

Overall, BOW's lending levels reflect adequate responsiveness to AA credit needs. Examiners reviewed the number and dollar volume of loans originated over the review period, as well as market share and market ranking figures for the primary loan products to determine the bank's level of lending relative to AA credit needs. In 2012 and 2013, the bank originated 250 HMDA loans totaling \$81.3 million, compared to 302 small business loans totaling \$53.2 million, and only 3 small farm loans totaling \$301,000.

Table NV-3 and NV-4 detail BOW's loan market ranking and market shares during 2012 by loan type in the Nevada AAs.

### Small Business Loans

As shown in Table NV-3, the bank is 13<sup>th</sup> overall out of 128 small business reporters in the state, with 2.0 percent small business market share, as compared to 0.3 percent deposit market share. The Reno MSA and Carson City MSA AAs have the highest market share with 5.0 percent and 4.7 percent, respectively.

Table NV-3 Small Business Loan and Deposit Market Shares			
AA	2012		Deposit Market Share %
	Rank (\$)	Market Share %	
All Nevada AAs Combined	13 of 128	2.0	0.3
Las Vegas MSA	16 of 103	0.8	0.5
Carson City MSA	7 of 30	4.7	6.4
Reno MSA	7 of 69	5.0	0.2
Source:2012 CRA Aggregate Data and June 2013 FDIC Summary of Deposits			

### HMDA Loans

As shown in Table NV-4, the bank is 94<sup>th</sup> overall out of 445 HMDA reporters in the state with 0.1 percent HMDA market share. The Carson City MSA AA has the highest market share with only 1.0 percent.

Table NV-4 – HMDA Loan Market Share		
AA	2012	
	Rank (#)	Market Share %
All Nevada AAs Combined	94 of 445	0.1
Las Vegas MSA	103 of 419	0.1
Carson City MSA	16 of 109	1.0
Reno MSA	59 of 243	0.2
Source:2012 Aggregate HMDA Data		

## **Borrower Profile**

The distribution of borrowers in Nevada reflects, given the product lines offered by the institution, adequate penetration among retail customers of different income levels and business customers of different revenue sizes.

### **Small Business Loans**

The distribution of borrowers reflects adequate penetration among small businesses of different sizes. Table NV-5 shows BOW's distribution of small business loans by GAR in all Nevada AAs combined. BOW's 2012 performance of 42.3 percent is comparable to aggregate of 41.9 percent. In 2013, the bank's loan performance trended upward slightly to 45.1 percent.

<b>Table NV – 5 Small Business Loan Borrower Profile</b>						
<b>GARs</b>	<b>2013 D&amp;B</b>	<b>2012 Aggregate Data</b>	<b>2012 Bank</b>		<b>2013 Bank</b>	
	<b>%</b>	<b>%</b>	<b>#</b>	<b>%</b>	<b>#</b>	<b>%</b>
≤ \$1 Million	71.3	41.9	63	42.3	69	45.1
> \$1 Million	4.7		83	55.7	78	51.0
Not Reported	24.0		3	2.0	6	3.9
<b>Total</b>	<b>100.0</b>		<b>149</b>	<b>100.0</b>	<b>153</b>	<b>100.0</b>
<i>Source: 2013 D&amp;B Data, 2012 CRA Aggregate Data, 2012 and 2013 CRA LR's</i>						

Table NV-6 represents the rate of lending to businesses with GARs of \$1 million or less by AAs within Nevada. In 2012, the Las Vegas MSA AA exceeded aggregate, while Carson City MSA AA of 44.4 percent lagged aggregate of 45.1, and Reno MSA AA of 41.7 percent lagged aggregate of 42.4. In 2013, all the Nevada AAs performance trended upward. Overall, the bank's performance in each AA is fairly similar to the aggregate lending data and consistent with the statewide analysis.

<b>Table NV – 6 Small Business Penetration Rate By AA</b>						
<b>AA</b>	<b>2013 D&amp;B</b>	<b>2012 Aggregate Data</b>	<b>2012 Bank</b>		<b>2013 Bank</b>	
	<b>%</b>	<b>%</b>	<b>#</b>	<b>%</b>	<b>#</b>	<b>%</b>
Las Vegas MSA	71.3	41.6	24	42.9	26	46.4
Carson City MSA	68.6	45.1	4	44.4	8	53.3
Reno MSA	71.6	42.4	35	41.7	35	42.7
<i>Source: 2013 D&amp;B, 2012 Aggregate Data, 2012 and 2013 CRA LR's</i>						

### **HMDA Loans**

The distribution of borrowers reflects adequate penetration among customers of different income levels. Table NV-7 shows BOW's distribution of HMDA loans by borrower income in all

Nevada AAs combined. In 2012, the bank's lending to low-income borrowers lagged the aggregate data with an upward trend in 2013. The bank's 2012 lending to moderate-income borrowers slightly exceeded the aggregate data, with a downward trend in 2013.

<b>Table NV – 7 HMDA Loan Borrower Profile</b>						
<b>Borrower Income Level</b>	<b>2010 Census Families</b>	<b>2012 Aggregate Data</b>	<b>2012 Bank</b>		<b>2013 Bank</b>	
	<b>%</b>	<b>%</b>	<b>#</b>	<b>%</b>	<b>#</b>	<b>%</b>
Low	20.3	9.3	2	1.9	10	6.8
Moderate	18.0	16.4	19	18.5	14	9.5
Middle	21.7	19.7	10	9.7	19	12.9
Upper	40.0	36.8	62	60.2	95	64.7
Not Reported	0.0	17.8	10	9.7	9	6.1
<b>Total</b>	<b>100.0</b>	<b>100.0</b>	<b>103</b>	<b>100.0</b>	<b>147</b>	<b>100.0</b>
<i>Source: 2010 U.S. Census, 2012 HMDA Aggregate Data, 2012 and 2013 HMDA LARs</i>						

Tables NV-8 and NV-9 (on the following page) show BOW's loan penetration rates for LMI borrowers in each AA in Nevada. The bank's performance within the each AA for low-income borrowers is consistent with the performance at the statewide level. For moderate-income areas, the 2012 performance Carson City MSA AA and Reno MSA AA exceeded the aggregate data with a downward trend in 2013. The Las Vegas MSA AA lagged aggregate with a stable trend in 2013.

<b>Table NV –8 Low-Income Borrower Penetration Rate By AA</b>						
<b>AA</b>	<b>2010 Census Families</b>	<b>2012 Aggregate Data</b>	<b>2012 Bank</b>		<b>2013 Bank</b>	
	<b>%</b>	<b>%</b>	<b>#</b>	<b>%</b>	<b>#</b>	<b>%</b>
Las Vegas MSA	20.1	9.2	1	1.9	7	7.3
Carson City MSA	22.3	10.8	0	0.0	2	15.4
Reno MSA	21.0	9.7	1	3.1	1	2.6
<i>Source: 2010 U.S. Census, 2012 Aggregate Data, and 2012, 2013</i>						

<b>Table NV –9 Moderate-Income Borrower Penetration Rate By AA</b>						
<b>AA</b>	<b>2010 Census Families</b>	<b>2012 Aggregate Data</b>	<b>2012 Bank</b>		<b>2013 Bank</b>	
	<b>%</b>	<b>%</b>	<b>#</b>	<b>%</b>	<b>#</b>	<b>%</b>
Las Vegas MSA	18.0	15.9	5	9.8	9	9.5
Carson City MSA	17.3	19.1	6	30.0	2	15.4
Reno MSA	17.8	18.1	8	25.0	3	7.7
<i>Source: 2010 U.S. Census, 2012 HMDA Aggregate Data, 2012 and 2013 HMDA LARs</i>						

### **Geographic Distribution**

BOW's geographic distribution of loans reflects adequate penetration throughout Nevada.

### **Small Business Loans**

BOW's geographic distribution of small business loans reflects adequate penetration throughout the Nevada AAs. Table NV-10 on the following page shows the distribution of small business loans by the category of CTs within the AA. In the low-income CTs, performance in 2012 was above the aggregate data and trended slightly downward in 2013. In the moderate-income CTs, penetration exceeds aggregate and showed a downward trend in 2013, but the performance was comparable with D&B data.

<b>Table NV – 10 Small Business Loan Geographic Distribution</b>						
<b>CT Income Level</b>	<b>2013 D&amp;B</b>	<b>2012 Aggregate Data</b>	<b>2012 Bank</b>		<b>2013 Bank</b>	
	<b>%</b>	<b>%</b>	<b>#</b>	<b>%</b>	<b>#</b>	<b>%</b>
Low	5.9	4.1	9	6.0	8	5.2
Moderate	22.8	19.7	49	32.9	42	27.5
Middle	39.5	37.2	40	26.9	47	30.7
Upper	30.9	35.9	49	32.9	50	32.7
N/A	0.9	3.1	2	1.3	6	3.9
<b>Total</b>	<b>100.0</b>	<b>100.0</b>	<b>149</b>	<b>100.0</b>	<b>153</b>	<b>100.0</b>
<i>Source: 2013 D&amp;B, 2012 CRA Aggregate Data, 2012 and 2013 CRA LRs</i>						

Tables NV-11 and NV-12 display BOW's small business loan penetration in LMI CTs by AA in Nevada. BOW had no penetration in the low-income CTs in the Las Vegas MSA AA and Carson City MSA AA. The performance in the moderate-income CTs exceeds aggregate in Las Vegas MSA AA and Reno MSA, but Carson City MSA AA had no loan penetration. In 2013, the Las Vegas MSA AA and Reno MSA AA showed a downward trend, while the Carson City MSA AA trended upward.

<b>Table NV –11 Small Business Low-Income CT Penetration By AA</b>						
AA	2013 D&B	2012 Aggregate Data	2012 Bank		2013 Bank	
	%	%	#	%	#	%
Las Vegas MSA	4.9	3.3	0	0.0	0	0.0
Carson City MSA	0.0	0.0	0	0.0	0	0.0
Reno MSA	10.5	7.5	9	10.7	8	9.8
<i>Source: 2013 D&amp;B, 2012 CRA Aggregate Data, 2012 and 2013 CRA LRs</i>						

<b>Table NV –12 Small Business Moderate-Income CT Penetration By AA</b>						
AA	2013 D&B	2012 Aggregate Data	2012 Bank		2013 Bank	
	%	%	#	%	#	%
Las Vegas MSA	21.8	18.1	17	30.4	14	25.0
Carson City MSA	12.5	12.3	0	0.0	2	13.3
Reno MSA	27.5	25.8	32	38.1	26	31.7
<i>Source: 2013 D&amp;B, 2012 CRA Aggregate Data, 2012 and 2013 CRA LRs</i>						

### HMDA Loans

The geographic distribution of HMDA loans reflects adequate penetration throughout the Nevada AA. Table NV-13 on the following page shows BOW's geographic distribution for HMDA loans by the income category of CTs within the AA. In 2012, BOW's performance in low-income CTs exceeds the aggregate data and has a downward trend in 2013. The performance in the moderate-income CTs exceeds the aggregate data for 2012 with an upward trend in 2013.

<b>Table NV-13 – HMDA Loan Geographic Distribution</b>						
CT Income Level	Owner-Occupied Housing Units	2012 Aggregate Data	2012 Bank		2013 Bank	
	%	%	#	%	#	%
Low	2.0	0.7	3	2.9	1	0.7
Moderate	15.6	7.6	8	7.8	16	10.9
Middle	44.7	42.6	32	31.1	47	32.0
Upper	37.7	49.1	60	58.2	83	56.4
N/A	0.0	0.0	0	0.0	0	0.0
<b>Total</b>	<b>100.0</b>	<b>100.0</b>	<b>103</b>	<b>100.0</b>	<b>147</b>	<b>100.0</b>
<i>Source: 2010 U.S. Census, 2012 HMDA Aggregate Data, and 2012, 2013 HMDA LRs</i>						

Table NV-14 and NV-15 (on the following page) show BOW's HMDA loan penetration rate in LMI CTs by AA in Nevada. In the low-income CTs, the bank's 2012 performance exceeds aggregate in the Las Vegas and Reno MSA AAs. The table shows no penetration of the low-



income CTs in the Carson City MSA AA, since there are no such CTs in the AA. In 2013, a general downward trend was noted in both Las Vegas and Reno MSA AAs. The bank's 2012 moderate-income CTs performance exceeded the aggregate data in Las Vegas MSA AA, but lagged the aggregate data in the Carson City and Reno MSA AAs. In 2013, the table shows an upward trend in two of the three AAs.

<b>Table NV – 14 HMDA Low-Income CT Penetration By AA</b>						
AA	Owner-Occupied Housing Units	2012 Aggregate Data	2012 Bank		2013 Bank	
	%	%	#	%	#	%
Las Vegas MSA	1.7	0.5	2	3.9	1	1.1
Carson City MSA	0.0	0.0	0	0.0	0	0.0
Reno MSA	3.5	1.7	1	3.1	0	0.0
<i>Source: 2010 U.S. Census, 2012 HMDA Aggregate Data, 2012 and 2013 HMDA LARs</i>						

<b>Table NV – 15 HMDA Moderate-Income CT Penetration By AA</b>						
AA	Owner-Occupied Housing Units	2012 Aggregate Data	2012 Bank		2013 Bank	
	%	%	#	%	#	%
Las Vegas MSA	15.5	6.9	6	11.8	9	9.5
Carson City MSA	17.0	16.0	1	5.0	2	15.4
Reno MSA	15.7	9.7	1	3.1	5	12.8
<i>Source: Source: 2010 U.S. Census, 2012 HMDA Aggregate Data, 2012 and 2013 HMDA LARs</i>						

### **Record of serving the Credit Needs of Highly Economically Disadvantaged**

BOW exhibits an adequate record of serving the credit needs of the most economically disadvantaged areas of its Nevada AAs, low-income individuals, and very small businesses, consistent with safe and sound banking practices.

### **CD Loans**

BOW was a leader in the level of CD loans in the Nevada AA. As shown in Table NV-16 on the following page, the bank originated 34 CD loans totaling \$159.1 million since the previous evaluation. This represents 5.7 percent of the total dollar volume of the bank's CD lending activity, which is significantly more than the percentage of branches the bank operates in Nevada at 1.3 percent. CD lending in Nevada was mostly concentrated in CD lending that is responding to the revitalization of LMI tracts, with the remainder providing support for LMI affordable housing, services to LMI families, and providing support for economic development of LMI areas.

Table NV-16 CD Lending												
Assessment Area	Total		Affordable Housing		Community Services		Economic Development		Revitalization or Stabilization		Neighborhood Stabilization	
	#	\$ (000)	#	\$ (000)	#	\$ (000)	#	\$ (000)	#	\$ (000)	#	\$ (000)
<b>2011</b>												
Las Vegas MSA	3	19,981	0	0	0	0	2	15,981	1	4,000	0	0
Carson City MSA	0	0	0	0	0	0	0	0	0	0	0	0
Reno MSA	4	25,500	0	0	0	0	1	2,000	3	23,500	0	0
<b>Total NV - 2011</b>	<b>7</b>	<b>45,481</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>3</b>	<b>17,981</b>	<b>4</b>	<b>27,500</b>	<b>0</b>	<b>0</b>
<b>2012</b>												
Las Vegas MSA	5	29,233	0	0	0	0	4	10,483	1	18,750	0	0
Carson City MSA	0	0	0	0	0	0	0	0	0	0	0	0
Reno MSA	10	24,650	0	0	0	0	1	2,000	9	22,650	0	0
<b>Total NV - 2012</b>	<b>15</b>	<b>53,883</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>5</b>	<b>12,483</b>	<b>10</b>	<b>41,400</b>	<b>0</b>	<b>0</b>
<b>2013</b>												
Las Vegas MSA	5	24,135	1	1,328	0	0	0	0	4	22,807	0	0
Carson City MSA	1	1,250	0	0	1	1,250	0	0	0	0	0	0
Reno MSA	6	34,336	1	1,036	0	0	0	0	5	33,300	0	0
<b>Total NV - 2013</b>	<b>12</b>	<b>59,721</b>	<b>2</b>	<b>2,364</b>	<b>1</b>	<b>1,250</b>	<b>0</b>	<b>0</b>	<b>9</b>	<b>56,107</b>	<b>0</b>	<b>0</b>
<b>Grand Total</b>	<b>34</b>	<b>159,085</b>	<b>2</b>	<b>2,364</b>	<b>1</b>	<b>1,250</b>	<b>8</b>	<b>30,464</b>	<b>23</b>	<b>125,007</b>	<b>0</b>	<b>0</b>
<i>Source: Bank records</i>												

The following CD loan provides a representative example of CD loans originated by BOW since the previous evaluation:

- The bank originated a \$17.4 million construction loan to build an office building which is leased to the Government Services Administration, in the City of Las Vegas Downtown Redevelopment Area. The loan helps to revitalize a moderate-income area through permanent and part-time jobs for individuals living in and around the community.

## INVESTMENT TEST

BOW's Investment Test rating is High Satisfactory. The bank has a significant level of qualified CD investments and grants, occasionally in a leadership position, particularly those that are not routinely provided by private investors. BOW exhibits a good responsiveness to credit and CD needs of the Nevada AAs. The institution occasionally uses innovative or complex investments to support CD initiatives. The institution purchased 2 qualifying investments totaling \$6.2

million and made 18 qualifying donations totaling \$81,000. This is an increase of 59.1 percent by dollar amount of total investments since the previous evaluation.

Table NV-17 below details the qualified donations. Both of the qualified investments were LMI housing investments made during the current evaluation period to support LIHTCs. Qualified investments and donations covered the Nevada AAs in a manner consistent with the bank's allocation of resources.

<b>Table NV-17 CD Donations</b>												
<b>Assessment Area</b>	<b>Total</b>		<b>Affordable Housing</b>		<b>Community Services</b>		<b>Economic Development</b>		<b>Revitalization or Stabilization</b>		<b>Neighborhood Stabilization</b>	
	<b>#</b>	<b>\$ (000)</b>	<b>#</b>	<b>\$ (000)</b>	<b>#</b>	<b>\$ (000)</b>	<b>#</b>	<b>\$ (000)</b>	<b>#</b>	<b>\$ (000)</b>	<b>#</b>	<b>\$ (000)</b>
<b>2011</b>												
Las Vegas MSA	3	16	0	0	3	16	0	0	0	0	0	0
Carson City MSA	1	2	0	0	0	0	1	2	0	0	0	0
Reno MSA	1	3	0	0	1	3	0	0	0	0	0	0
<b>Total NV - 2011</b>	<b>5</b>	<b>20</b>	<b>0</b>	<b>0</b>	<b>4</b>	<b>18</b>	<b>1</b>	<b>2</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>2012</b>												
Las Vegas MSA	5	22	2	10	2	7	1	5	0	0	0	0
Carson City MSA	2	3	0	0	1	1	1	2	0	0	0	0
Reno MSA	3	18	0	0	3	18	0	0	0	0	0	0
<b>Total NV - 2012</b>	<b>10</b>	<b>42</b>	<b>2</b>	<b>10</b>	<b>6</b>	<b>25</b>	<b>2</b>	<b>7</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>2013</b>												
Las Vegas MSA	2	10	0	0	2	10	0	0	0	0	0	0
Carson City MSA	0	0	0	0	0	0	0	0	0	0	0	0
Reno MSA	1	10	0	0	1	10	0	0	0	0	0	0
<b>Total NV - 2013</b>	<b>3</b>	<b>20</b>	<b>0</b>	<b>0</b>	<b>3</b>	<b>20</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Grand Total</b>	<b>18</b>	<b>81</b>	<b>2</b>	<b>10</b>	<b>13</b>	<b>63</b>	<b>3</b>	<b>8</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<i>Source: Bank records</i>												

## SERVICE TEST

BOW is rated Needs to Improve for the Service Test. Delivery systems are accessible to essentially all portions of the Nevada AAs. Services do not vary in a way that inconveniences certain portions of the AA, particularly LMI geographies. BOW has not opened or closed any branches in Nevada over the review period. The bank provided a limited level of CD services over the review period.

### Reasonableness of Business Hours and Services

Services do not vary in a way that inconveniences certain portions of the Nevada AA, particularly LMI geographies or individuals. Variances in services are limited. All branches operate ATMs and four branches have Saturday hours. Business hours do not vary in a material manner. Both of the branches that are located in moderate-income geographies offer Saturday hours. The bank offers a wide variety of retail services that enhance the availability of credit and deposit products.

## Accessibility of Delivery Systems

BOW's retail delivery systems are accessible to essentially all portions of the AAs in Nevada.

BOW operates eight branches in Nevada. Table NV-18 evaluates the branch structure in the same manner as presented in previous states. Most of the branches in this state are located in middle- and upper-income CTs. BOW also operates eight ATMs that are located throughout all the AAs in Nevada.

<b>Table NV- 18 Branch Structure</b>						
<b>Branch and ATM Distribution</b>	<b>CT Income Level</b>					
	<b>Low</b>	<b>Moderate</b>	<b>Middle</b>	<b>Upper</b>	<b>N/A</b>	<b>Total</b>
Number of Branches as of March 3, 2014	0	2	3	3	0	8
Percentage of Branches	0.0	25.0	37.5	37.5	0.0	100.0
Number of ATMs as of March 3, 2014	0	2	3	3	0	8
Percentage of ATMs	0.0	25.0	37.5	37.5	0.0	100.0
<b>Comparisons</b>						
Percentage of Branches - All Institutions	6.7	22.9	44.0	25.5	0.9	100.0
Percentage of Households	6.3	23.1	41.8	28.8	0.0	100.0
Percentage of Families	5.2	20.7	42.0	32.1	0.0	100.0
Percentage of Businesses	5.9	22.8	39.5	30.9	0.9	100.0
<i>Source: Bank records, 2010 U.S. Census, 2013 D&amp;B</i>						

BOW does not operate any branches in low-income tracts, but it has two branches in moderate-income tracts. The 25.0 percent of branches located in moderate-income areas exceeds the competition, households, families, and business demographics of the AAs. BOW's Sahara branch in the Las Vegas MSA is located in an upper-income CT, but it is across the street from a grouping of LMI geographies. The Reno branch is one block from a grouping of LMI tracts. Table NV-19 presents LMI tract branch penetration rates compared to other banks by AA. The table reveals that the bank's LMI tract penetration rates compare favorably except in the Carson City MSA.

<b>Table NV - 19 LMI CT Branch Distribution</b>				
<b>AA</b>	<b>Low-Income CTs</b>		<b>Moderate-Income CTs</b>	
	<b>Bank (%)</b>	<b>Aggregate (%)</b>	<b>Bank (%)</b>	<b>Aggregate (%)</b>
Las Vegas MSA	0.0	5.6	20.0	21.6
Carson City MSA	0.0	0.0	0.0	4.8
Reno MSA	0.0	14.29	50.0	31.3
<i>Source: Bank records, 2012 Peer Deposit Data</i>				

## Change in Branch Locations

BOW has not opened or closed any branches in Nevada over the review period.

## **CD Services**

BOW provided a limited level of CD services in Nevada. As shown in Table NV-20, BOW employees completed CD services for a total of 46 hours over the review period. Most of the hours worked involved providing community services directed to LMI individuals and communities.

<b>Table NV– 20 CD Services</b>												
<b>Assessment Area</b>	<b>Total</b>		<b>Affordable Housing</b>		<b>Community Services</b>		<b>Economic Development</b>		<b>Revitalization or Stabilization</b>		<b>Neighborhood Stabilization</b>	
	<b>#</b>	<b>Hours</b>	<b>#</b>	<b>Hours</b>	<b>#</b>	<b>Hours</b>	<b>#</b>	<b>Hours</b>	<b>#</b>	<b>Hours</b>	<b>#</b>	<b>Hours</b>
<b>2011</b>												
Las Vegas MSA	4	6	0	0	4	6	0	0	0	0	0	0
Carson City MSA	0	0	0	0	0	0	0	0	0	0	0	0
Reno MSA	2	5	0	0	0	0	2	5	0	0	0	0
<b>Total NV - 2011</b>	<b>6</b>	<b>11</b>	<b>0</b>	<b>0</b>	<b>4</b>	<b>6</b>	<b>2</b>	<b>5</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>2012</b>												
Las Vegas MSA	8	18	0	0	8	18	0	0	0	0	0	0
Carson City MSA	3	8	0	0	3	8	0	0	0	0	0	0
Reno MSA	1	5	0	0	1	5	0	0	0	0	0	0
<b>Total NV - 2012</b>	<b>12</b>	<b>31</b>	<b>0</b>	<b>0</b>	<b>12</b>	<b>31</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>2013</b>												
Las Vegas MSA	3	4	1	1	2	3	0	0	0	0	0	0
Carson City MSA	0	0	0	0	0	0	0	0	0	0	0	0
Reno MSA	0	0	0	0	0	0	0	0	0	0	0	0
<b>Total NV - 2013</b>	<b>3</b>	<b>4</b>	<b>1</b>	<b>1</b>	<b>2</b>	<b>3</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Grand Total</b>	<b>21</b>	<b>46</b>	<b>1</b>	<b>1</b>	<b>18</b>	<b>40</b>	<b>2</b>	<b>5</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<i>Source: Bank records</i>												

# **LAS VEGAS MSA FULL-SCOPE EVALUATION**

## **SCOPE OF EXAMINATION**

Examiners conducted a full-scope, off-site evaluation of BOW's performance in the Las Vegas MSA AA.

## DESCRIPTION OF THE LAS VEGAS MSA ASSESSMENT AREA

The counties that comprise this AA are detailed in the statewide description. Table NV-21 reflects the demographics of the AA.

**Table NV-21 Las Vegas MSA AA Demographic Information**

Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA % of #
CTs	487	5.7	23.2	41.3	29.8	0.0
Population by CT Income Level	1,951,269	5.3	22.8	42.2	29.7	0.0
Owner-Occupied Housing Units by CT Income Level	405,047	1.7	15.5	45.7	37.1	0.0
Businesses by CT Income Level	118,200	4.9	21.8	42.1	31.2	0.0
Families by Income Level	457,592	20.1	18.0	22.0	39.9	0.0
Families by CT Income Level	457,592	4.7	20.8	42.7	31.8	0.0
Median Family Income		\$63,888				
HUD Adjusted Median Family Income for 2013		\$63,100	Median Housing Value		\$253,307	
Households Below Poverty Level		10.0%				
<i>Source: 2010 U.S. Census Data, 2013 D&amp;B Data</i>						

According to Moody's Economy.com, the Las Vegas MSA economy continues to recover. Transportation, warehousing, and business and professional services are positively affecting the economy. However, tourism continues to struggle with sluggish growth. The Las Vegas MSA continues to have a high unemployment with a rate of 9.5 percent; however, this is an improvement from 11.2 percent in 2012. The housing market is gradually improving, although housing prices are still at 2003 levels, which signals that many homeowners are still under water on their mortgages. Population growth is anticipated to noticeably rise and drive private services demand. Top employers include Clark County School District, Clark County, Wynn Las Vegas, MGM Grand, and Bellagio.

## PERFORMANCE TEST CONCLUSIONS

Data applicable to the AA indicates that the overall performance is generally similar to the statewide performance. Please refer to the statewide performance test conclusions for performance differences, if any.

## LENDING TEST

A more in-depth borrower profile and geographic distribution review of loans originated in the Las Vegas MSA AA are presented below. Other Lending Test criteria are fully described in the Lending Test section of the CAA and the statewide performance test conclusions. Small business and HMDA loans were weighted equally based on the number of loans originated. Small farm loans performance was not evaluated due to the limited number of loans originated within this AA. Data supporting the ratings is presented in the statewide performance test conclusions section.

## **Borrower Profile**

BOW's distribution of borrowers in the Las Vegas MSA AA reflects, given the product lines offered by the institution, overall adequate penetration among retail customers of different income levels and business customers of different revenue sizes. This conclusion is consistent with statewide performance.

### **Small Business Loans**

The bank has adequate loan penetration in the Las Vegas MSA AA. In 2012, 42.9 percent of loans were to small businesses earning GARs of \$1 million or less compared to the aggregate data of 41.6 percent. In 2013, the bank's lending performance had an upward trend to 46.4 percent, but it was below the D&B data of 71.3 percent.

### **HMDA Loans**

The bank has poor penetration to HMDA borrowers in the Las Vegas MSA AA. In 2012, the bank's loan penetration of 1.9 percent was below the aggregate data of 9.2 percent for low-income borrowers, and the loan penetration to moderate-income borrowers of 9.8 percent was below the aggregate of 15.9 percent. In 2013, the bank's performance to low-income borrowers shows a loan penetration rate of 7.3 percent, while demographics show 20.1 percent of families are low-income families. The loan penetration rate to moderate-income borrowers remained fairly stable at 9.5 percent, while the demographics show 18.0 percent of families are moderate-income families..

## **Geographic Distribution**

BOW's overall distribution of loans reflects adequate penetration throughout the Las Vegas MSA AA.

### **Small Business Loans**

The geographic distribution of small business loans reflects adequate penetration throughout the Las Vegas MSA AA. While BOW had no loan penetration in the low-income CTs, it had loan penetration of 30.4 percent in the moderate-income CTs, which is significantly above the aggregate data of 18.1 percent. In 2013, the bank's performance trended downward in the moderate-income CTs, but it was still higher than the D&B data.

### **HMDA Loans**

The geographic distribution of HMDA loans reflects good penetration throughout the Las Vegas MSA AA. BOW's 2012 loan penetration in low-income CTs was 3.9 percent, which is above the aggregate data of 0.5 percent. The loan performance of 11.8 percent in the moderate-income CTs was above the aggregate data of 6.9 percent. In 2013, the loan performance in its LMI CTs trended downwards.

## **INVESTMENT TEST**

BOW's Investment Test performance in this AA is consistent with the institution's Investment Test performance in the state.

## **SERVICE TEST**

BOW's Service Test performance in this AA is consistent with the institution's Service Test performance in the state.

## **Limited-Scope AA Evaluations**

Data applicable to the limited-scope AAs indicates that performance is consistent with the institution's performance in the state. Demographic data regarding limited-scope AAs is located in Appendix F.



# **SOUTH DAKOTA**

*The Lending Test is rated:*                      *Low Satisfactory*  
*The Investment Test is rated:*                *Low Satisfactory*  
*The Service Test is rated:*                      *Needs to Improve*

BOW's South Dakota CRA Rating is **Needs to Improve**.

## **SCOPE OF EXAMINATION AND DESCRIPTION OF OPERATIONS**

Examiners conducted a full-scope, off-site evaluation of the bank's performance in the bank's South Dakota Non-MSA AAs. A review of FDIC records and the bank's CRA public file, revealed no CRA complaints since the previous evaluation in this area. BOW operates eight branches and six ATMs within South Dakota. Refer to the Service Test portion of this evaluation for details regarding BOW's delivery systems and any changes that occurred over the review period.

## **DESCRIPTION OF THE SOUTH DAKOTA NON-MSA ASSESSMENT AREAS**

Table SD-1 details the counties that comprise the South Dakota Non-MSA AAs. As indicated in the tables below, the AAs contain 21 CTs located in the counties of Beadle, Charles Mix, Clark, Clay, Douglas, Fall River, Perkins, Potter, and Spink. Of the 21 CTs in the AAs, 2 are moderate-income tracts and the remaining 19 CTs are middle-income geographies. There are no low- or upper-income tracts in the bank's South Dakota AAs. In 2013, three tracts were designated distressed, two tracts were designated underserved, and eight tracts were designated underserved and distressed.

<b>Table SD-1 – AA Composition, Branches, and ATMs</b>					
<b>AA</b>	<b>MSA or MD</b>	<b>MSA or MD #</b>	<b>Counties</b>	<b>Branches as of 3/3/14</b>	<b>ATMs</b>
South Dakota Non-MSA	N/A	99999	Beadle, Charles Mix, Clark, Clay, Douglas, Fall River, Perkins, Potter, Spink	8	6
<b>Statewide</b>			<b>Total Branches/ATMs</b>	8	6
<i>Source: Bank records</i>					

Table SD-2 reflects the demographics of the South Dakota Non-MSA AA.

Table SD-2 – Demographic Information						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA % of #
CTs	21	0.0	9.5	90.5	0.0	0.0
Population by CT Income Level	65,904	0.0	9.8	90.2	0.0	0.0
Owner-Occupied Housing Units by CT Income Level	17,679	0.0	8.0	92.0	0.0	0.0
Businesses by CT Income Level	6,512	0.0	7.0	93.0	0.0	0.0
Farms by CT Income Level	2,226	0.0	10.0	90.0	0.0	0.0
Families by Income Level	15,637	20.4	17.0	22.8	39.8	0.0
Families by CT Income Level	15,637	0.0	9.8	90.2	0.0	0.0
Median Family Income		55,116	Median Housing Value		\$79,864	
HUD Adjusted Median Family Income for 2013		59,600				
Households Below Poverty Level		17.0%				
Source: 2010 U.S. Census Data, 2013 D&B Data						

According to the U.S. BLS, South Dakota's unemployment rate for the fourth quarter of 2013 was 3.6 percent, while the nationwide unemployment rate was 7.0 percent. As published by the Bureau of Economic Analysis, the statewide average monthly income per person was \$3,782 in 2012. In comparison, the average monthly income per person for the United States was \$3,645. The statewide highest monthly wages were earned in the trade, transportation, and utilities industries. The BLS reported that there were 1,167 more total family housing as of November 2013 and that the agricultural economy remains strong. Comments noted that corn and soybean production in South Dakota is projected to be at record levels; however, high crop production levels are being offset by lower prices. Two of the top employers in this area Terex Utilities and Premier Bankcard, Inc., employing 180 and 63 employees, respectively.

### Community Contact Observations

The contact stated that the AA's economy has been stable and remains heavily reliant on agricultural-related industries. The contact further stated that there is little retail business in the area with no known opportunities for increased demand. Finally, the contact noted that financial institutions are doing a good job of meeting the credit needs. However, the contact stated that smaller local financial institutions are more conservative with lending practices, but easier to work with than the large regional banks. Finally, the contact was not aware of any discriminatory practices by any of the financial institutions in the AAs.

## **STATEWIDE PERFORMANCE TEST CONCLUSIONS**

### **LENDING TEST**

BOW is rated Low Satisfactory in the Lending Test. Small farm lending performance was given the most weight in determining the conclusions, followed by HMDA and small business lending.

## **Lending Activity**

Overall, BOW's lending levels reflect good responsiveness to AA credit needs. Examiners reviewed the number and dollar volume of loans originated over the review period, as well as market share and market ranking figures for primary loan products to determine the bank's level of lending relative to AA credit needs.

Tables SD-3 through SD-5 detail BOW's loan market ranking and market shares during 2012 by loan type in the South Dakota Non-MSA AAs. Loan market share for small business and small farm loans is based on the dollar amount of loans, whereas loan market share for HMDA loans is based on the number of loans. Aggregate small business, small farm, and HMDA data is not yet available for 2013.

In 2012 and 2013, the bank originated 228 small farm loans totaling \$24.6 million, 106 HMDA loans totaling \$12.1 million, and 124 small business loans totaling \$3.9 million.

### **Small Farm Loans**

Table SD-3 details BOW's small farm loan market ranking and market shares during 2012 in the South Dakota Non-MSA AA.

<b>Table SD-3 – Small Farm Loan Market Share</b>		
<b>AA</b>	<b>2012</b>	
	<b>Rank (\$)</b>	<b>Market Share %</b>
South Dakota Non-MSA	3 of 21	9.0
<i>Source: 2012 CRA Aggregate Data</i>		

Examiners reviewed small farm loan market share and market ranking data based on dollar volume rather than number of loans originated. Dollar volumes represent a more relevant comparison. BOW's small farm lending levels reflect good responsiveness to the AA's credit needs in the Minnesota markets in which it serves. In 2012, BOW ranked 3rd out of 21 reporting small farm lenders.

### **HMDA Loans**

Table SD-4 represents BOW's HMDA loan market ranking and market share during 2012 in the South Dakota Non-MSA AA.

<b>Table SD-4 – HMDA Loan Market Share</b>		
<b>AA</b>	<b>2012</b>	
	<b>Rank (#)</b>	<b>Market Share %</b>
South Dakota Non-MSA	5 of 97	5.0
<i>Source: 2012 HMDA Aggregate Data</i>		

Examiners reviewed HMDA loan market share and market ranking data based on dollar volume

rather than number of loans originated. BOW's HMDA lending levels reflect good responsiveness to AA credit needs in the markets in which it serves. In 2012, BOW ranked 5<sup>th</sup> out of 97 reporting lenders.

### Small Business Loans

Table SD-5 details BOW's small business loan market ranking and market shares during 2012 in the South Dakota Non-MSA AA.

<b>Table SD-5 – Small Business Loan and Deposit Market Shares</b>			
AA	2012		Deposit Market Share %
	Rank (\$)	Market Share %	
South Dakota Non-MSA	6 of 38	4.8	16.9
<i>Source: 2012 CRA Aggregate Data, June 2013 FDIC Summary of Deposits</i>			

Examiners reviewed small business loan market share and market ranking data based on dollar volume rather than number of loans originated. Dollar volumes represent a more relevant comparison because market share data includes national credit card lenders. The credit card lenders report numerous small dollar loans that skew the market share ranking based on number of loans originated. Credit card lenders do not provide traditional small business loans in the same manner as BOW and its local competitors. BOW's small business lending levels reflect good responsiveness to AA credit needs in the competitive banking environment. In 2012, BOW ranked 6<sup>th</sup> of 38 reporting small business lenders.

### Borrower Profile

The distribution of borrowers in the State of South Dakota reflects, given the product lines offered by the institution, good penetration among retail customers of different income levels and business and farm operators of different revenue sizes.

### Small Business Loans

The distribution of borrowers reflects excellent penetration among business operators of different revenue sizes. Table SD-6 on the following page reflects BOW's distribution of small business loans by GARs in the AAs. In 2012, the bank's performance significantly exceeds the aggregate data. In 2013, the bank's lending penetration rate trended downward slightly, but the bank's performance was higher than the D&B data.

Table SD-6 – Small Business Loan Borrower Profile						
GARs	2013 D&B	2012 Aggregate Data	2012 Bank		2013 Bank	
	%	%	#	%	#	%
≤ \$1 Million	69.5	31.4	42	85.7	62	82.7
> \$1 Million	3.6		3	6.1	10	13.3
Not Reported	26.9		4	8.2	3	4.0
<b>Total</b>	<b>100.0</b>		<b>49</b>	<b>100.0</b>	<b>75</b>	<b>100.0</b>
<i>Source: 2013 D&amp;B Data, 2012 CRA Aggregate Data, 2012 and 2013 CRA LRs</i>						

### Small Farm Loans

The distribution of borrowers reflects good penetration among farm operators of different revenue sizes. Table SD-7 reflects BOW's distribution of small farm loans by GARs in the bank's Non-MSA AAs. In 2012 and 2013, BOW originated 79.7 percent and 81.0 percent of its loans, respectively, to small farms with GARs of \$1 million or less. In comparison, D&B data indicates that 99.1 percent of small farms in the AA have revenues of \$1 million or less. While the bank's 2013 performance is less than D&B data, it still shows more than reasonable performance. The bank's 2012 lending performance exceeds the aggregate data of 66.3 percent.

Table SD-7 – Small Farm Loan Borrower Profile						
GARs	2013 D&B	2012 Aggregate Data	2012 Bank		2013 Bank	
	%	%	#	%	#	%
≤ \$1 Million	99.1	66.3	98	79.7	85	81.0
> \$1 Million	0.6		23	18.7	17	16.2
Not Reported	0.3		2	1.6	3	2.8
<b>Total</b>	<b>100.0</b>		<b>123</b>	<b>100.0</b>	<b>105</b>	<b>100.0</b>
<i>Source: 2013 D&amp;B Data, 2012 CRA Aggregate Data, 2012 and 2013 CRA LRs</i>						

### HMDA Loans

The distribution of borrowers reflects adequate penetration to customers of different income levels. Table SD-8 on the following page reflects BOW's distribution of HMDA loans by borrower income in the AA. In 2012, the bank's performance of 3.4 percent is less than the aggregate data. In 2013, the bank did not originate any applicable loans to low-income borrowers. In 2012, the bank's lending performance to moderate-income borrowers was below aggregate, but in 2013 the bank's performance shows a significant increasing trend.

Table SD-8 – HMDA Loan Borrower Profile						
Borrower Income Level	2010 Census Families	2012 Aggregate Data	2012 Bank		2013 Bank	
	%	%	#	%	#	%
Low	20.4	6.7	2	3.4	0	0.0
Moderate	17.0	15.8	8	13.6	11	23.4
Middle	22.8	20.0	13	22.0	7	14.9
Upper	39.8	36.5	30	50.8	24	51.1
Not Reported	0.0	21.0	6	10.2	5	10.6
<b>Total</b>	<b>100.0</b>	<b>100.0</b>	<b>59</b>	<b>100.0</b>	<b>47</b>	<b>100.0</b>
<i>Source: 2010 U.S. Census, 2012 HMDA Aggregate Data, 2012 and 2013 HMDA LARs</i>						

### Geographic Distribution

The geographic distribution of loans in South Dakota reflects adequate penetration throughout the AA. As indicated earlier, the bank's Non-MSA AAs in South Dakota do not include any low-income CTs; therefore, the geographic analysis was only conducted for the two moderate-income CTs. These two CTs are located in Charles Mix County in the southern portion of South Dakota. The bank operates one full-service branch in this county; however, the branch is located in a middle-income CT adjacent to the moderate-income tracts.

### Small Business Loans

The geographic distribution of small business loans reflects poor penetration throughout the South Dakota Non-MSA areas. As indicated in Table SD-9, the bank did not originate any small business loans in 2012 or 2013 in moderate-income tracts, whereas demographic and aggregate data reveal volumes of 7.0 and 3.3 percent, respectively. The bank also competes with five other institutions in the Charles Mix County.

Table SD-9 – Small Business Loan Geographic Distribution						
CT Income Level	2013 D&B	2012 Aggregate Data	2012 Bank		2013 Bank	
	%	%	#	%	#	%
Low	0.0	0.0	0	0.0	0	0.0
Moderate	7.0	3.3	0	0.0	0	0.0
Middle	93.0	85.7	49	100.0	75	100.0
Upper	0.0	0.0	0	0.0	0	0.0
N/A	0.0	11.0	0	0.0	0	0.0
<b>Total</b>	<b>100.0</b>	<b>100.0</b>	<b>49</b>	<b>100.0</b>	<b>75</b>	<b>100.0</b>
<i>Source: 2013 D&amp;B, 2012 Aggregate Data, 2012 and 2013 CRA LR's</i>						

## Small Farm Loans

The geographic distribution of small farm loans reflects good penetration throughout the South Dakota Non-MSA AAs. Table SD-10 reflects the distribution of small farm loans by the income category of CTs within the AAs. As indicated earlier, the bank's Non-MSA AA in South Dakota does not include any low-income CTs. Table SD-10 reveals that the bank originated 4.9 percent of its small farm loans in 2012 and 4.8 percent of its small farm loans in 2013 to farm operations in moderate-income CTs. BOW's 2012 performance is higher than aggregate data; however, the bank's 2013 performance is less than the demographic data. The bank's performance in this area, when compared to the previous evaluation, signifies a significant increase in lending to small farms in moderate-income CTs in South Dakota.

<b>Table SD-10 – Small Farm Loan Geographic Distribution</b>						
<b>CT Income Level</b>	<b>2013 D&amp;B</b>	<b>2012 Aggregate Data</b>	<b>2012 Bank</b>		<b>2013 Bank</b>	
	<b>%</b>	<b>%</b>	<b>#</b>	<b>%</b>	<b>#</b>	<b>%</b>
Low	0.0	0.0	0	0.0	0	0.0
Moderate	10.0	2.6	6	4.9	5	4.8
Middle	90.0	97.2	117	95.1	100	95.2
Upper	0.0	0.0	0	0.0	0	0.0
N/A	0.0	0.2	0	0.0	0	0.0
<b>Total</b>	<b>100.0</b>	<b>100.0</b>	<b>123</b>	<b>100.0</b>	<b>105</b>	<b>100.0</b>
<i>Source: 2013 D&amp;B, 2012 Aggregate Data, 2012 and 2013 CRA LRs</i>						

## HMDA Loans

The geographic distribution of HMDA loans reflects poor penetration throughout the South Dakota Non-MSA AAs. Table SD-11 reflects the distribution of HMDA loans by the income category of CTs within the AAs. As indicated in Table SD-11, the bank did not originate any HMDA-reportable loans in 2012 or 2013 in moderate-income tracts. Comparably, demographic data reveals that 8.0 percent of owner-occupied housing units are located in moderate-income CTs. Finally, aggregate data reveals that 3.9 percent of HMDA-reportable loans were originated in moderate-income CTs. The bank's performance is impacted by the fact that it does not operate any offices in moderate-income tracts in South Dakota.

Table SD-11 – HMDA Loan Geographic Distribution						
CT Income Level	Owner-Occupied Housing Units	2012 Aggregate Data	2012 Bank		2013 Bank	
	%	%	#	%	#	%
Low	0.0	0.0	0	0.0	0	0.0
Moderate	8.0	3.9	0	0.0	0	0.0
Middle	92.0	96.1	59	100.0	47	100.0
Upper	0.0	0.0	0	0.0	0	0.0
N/A	0.0	0.0	0	0.0	0	0.0
<b>Total</b>	<b>100.0</b>	<b>100.0</b>	<b>59</b>	<b>100.0</b>	<b>47</b>	<b>100.0</b>

*Source: 2010 U.S. Census, 2012 HMDA Aggregate Data, 2012 and 2013 HMDA LARs*

### **Record of Serving the Credit Needs of Highly Economically Disadvantaged**

BOW exhibits an adequate record of serving the credit needs of the most economically disadvantaged areas of its South Dakota AA, low-income individuals, and very small businesses, consistent with safe and sound banking practices.

### **CD Loans**

BOW is a leader in making CD loans in the South Dakota AA. The bank originated 16 CD loans totaling \$20.9 million since the previous evaluation. This represents 0.8 percent of the total dollar volume of the bank's CD lending activity and a significant increase in both number and dollar amount of qualified loans originated during the previous evaluation period. Specifically, the number of new qualified loans originated since the previous evaluation represents an increase of 111 percent compared to the number of qualified loans originated at the previous evaluation. Similarly, the dollar volume of new qualified loans originated since the previous evaluation represents an increase of 135 percent, compared to those originated during the previous evaluation.

All CD lending in South Dakota was concentrated primarily towards revitalization and stabilization and all were originated in distressed and/or underserved geographies.



Table SD-12 – CD Lending												
AA	Total		Affordable Housing		Community Services		Economic Development		Revitalization or Stabilization		Neighborhood Stabilization	
	#	\$ (000)	#	\$ (000)	#	\$ (000)	#	\$ (000)	#	\$ (000)	#	\$ (000)
<b>2011</b>												
South Dakota Non-MSA	4	3,625	0	0	1	75	0	0	3	3,550	0	0
<b>2012</b>												
South Dakota Non-MSA	5	7,451	0	0	0	0	0	0	5	7,451	0	0
<b>2013</b>												
South Dakota Non-MSA	7	9,826	0	0	0	0	0	0	7	9,826	0	0
<b>Grand Total</b>	<b>16</b>	<b>20,902</b>	<b>0</b>	<b>0</b>	<b>1</b>	<b>75</b>	<b>0</b>	<b>0</b>	<b>15</b>	<b>20,827</b>	<b>0</b>	<b>0</b>
<i>Source: Bank records</i>												

## INVESTMENT TEST

BOW's Investment Test rating is Low Satisfactory. The institution has an adequate level of qualified CD investments and grants, but not in a leadership position, particularly those that are not routinely provided by private investors. The institution exhibits an adequate responsiveness to credit and CD needs, which is driven by qualifying donation activity and prior period investments. Nonetheless, BOW makes rare use of innovative or complex investments to support CD initiatives.

BOW holds four prior period qualified investments. One of the 4 qualified investments has a book value of \$383,114 that benefits adjacent counties. The remaining 3 qualified investments total \$443,339 and benefit the broader statewide area of South Dakota. These prior period investments include a targeted mortgage-backed security, low-income housing tax credits, and equity notes to stimulate economic growth. No new qualified investments were purchased in this AA over the review period; however, BOW provided 26 qualified donations totaling approximately \$44,000 since the previous evaluation. The bank's CD investment activity has decreased since the previous evaluation, but the level of activity is still adequate.

Table SD-13 reflects the bank's qualified donations by year and investment type in the South Dakota AA.

<b>Table SD-13 – CD Donations</b>												
<b>AA</b>	<b>Total</b>		<b>Affordable Housing</b>		<b>Community Services</b>		<b>Economic Development</b>		<b>Revitalization or Stabilization</b>		<b>Neighborhood Stabilization</b>	
	<b>#</b>	<b>\$ (000)</b>	<b>#</b>	<b>\$ (000)</b>	<b>#</b>	<b>\$ (000)</b>	<b>#</b>	<b>\$ (000)</b>	<b>#</b>	<b>\$ (000)</b>	<b>#</b>	<b>\$ (000)</b>
<b>2011</b>												
South Dakota Non-MSA	4	9	1	1	2	3	1	5	0	0	0	0
<b>2012</b>												
South Dakota Non-MSA	11	17	2	3	7	8	1	5	1	1	0	0
<b>2013</b>												
South Dakota Non-MSA	11	18	2	2	7	10	1	5	1	1	0	0
<b>Grand Total</b>	<b>26</b>	<b>44</b>	<b>5</b>	<b>6</b>	<b>16</b>	<b>21</b>	<b>3</b>	<b>15</b>	<b>2</b>	<b>2</b>	<b>0</b>	<b>0</b>
<i>Source: Bank records</i>												

The bank reported an increase in the dollar volume of donations and grants from the \$23,000 reported at the previous evaluation to a total dollar volume of \$44,000 during the current examination period. Representative examples are provided below:

- The bank provided a \$5,000 grant to support a non-profit organization that operates in an underserved/distressed CT. The organization promotes economic development and helps create jobs through small businesses in the community. A special emphasis is placed on helping LMI individuals attain employment.
- BOW provided a grant of \$2,500 to support a non-profit organization offering community services. The organization, which operates in an underserved/distressed CT, provides free mammograms to LMI women and to those who cannot otherwise afford preventative health care services in the community.

## SERVICE TEST

BOW is rated Needs to Improve in the South Dakota Service Test. Services do not vary in a way that inconveniences certain portions of the South Dakota AA, and delivery systems are reasonably accessible to all portions of the institution's South Dakota AA. The institution provided few, if any, CD services. BOW's record of opening and closing branches in South Dakota has generally not adversely affected the accessibility of its delivery systems, particularly in LMI geographies and/or to LMI individuals.

## **Reasonableness of Business Hours and Services**

Services do not vary in a way that inconveniences certain portions of the South Dakota AA, particularly LMI geographies or individuals. Branch hours do not significantly vary. All BOW services are available across all branches. Service variance between offices is minimal. Neither the Corsica nor Hot Springs, South Dakota, locations offer a drive-up or walk-up facility like the other branch offices in South Dakota; however, these two branches maintain convenient Monday through Friday lobby hours. In addition, both locations offer ATM services on-site.

## **Accessibility of Delivery Systems**

Delivery systems are reasonably accessible to essentially all portions of the AAs. BOW operates eight branches in South Dakota and Table SD-14 evaluates the branch structure in the same manner as presented in previous states. As indicated earlier, the bank's AAs in South Dakota do not contain any low-income CTs, but includes two moderate-income geographies. The institution does not operate a branch in a moderate-income geography; therefore, its branch penetration is significantly less than the rate achieved by the competition, as well as the household, family, and business demographics of the AAs. Table SD-15 presents LMI tract branch penetration rates compared to other banks in the AAs.

**Table SD-14 – Branch Structure**

Branch and ATM Distribution	CT Income Level					
	Low	Moderate	Middle	Upper	N/A	Total
Number of Branches as of March 3, 2014	0	0	8	0	0	8
Percentage of Branches	0.0	0.0	100.0	0.0	0.0	100.0
Number of ATMs as of March 3, 2014	0	0	6	0	0	6
Percentage of ATMs	0.0	0.0	100.0	0.0	0.0	100.0
<b>Comparisons</b>						
Percentage of Branches - All Institutions	0.0	9.8	90.2	0.0	0.0	100.0
Percentage of Households	0.0	8.3	91.7	0.0	0.0	100.0
Percentage of Families	0.0	9.8	90.2	0.0	0.0	100.0
Percentage of Businesses	0.0	7.0	93.0	0.0	0.0	100.0

*Source: Bank records, 2010 U.S. Census, 2013 D&B*

While other institutions operate facilities in nearby moderate-income tracts, all eight of BOW's branches in South Dakota are located in distressed and/or underserved geographies. Specifically, the Hot Springs branch is located in an underserved tract due to its remote rural location, the Huron and Vermillion branches are located in a distressed tract due to poverty levels, and the remaining five offices (Corsica, Gettysburg, Lemmon, Platte, and Redfield) are located in tracts that are designated as underserved due to the remote rural locations and distressed due to poverty levels or population loss.

## **Change in Branch Locations**

To the extent changes have been made, the institution's opening and closing of branches has generally not adversely affected the accessibility of its delivery systems, particularly in LMI geographies and/or to LMI individuals. The institution did not open any branches in South

Dakota since the previous evaluation. In 2012, BOW closed one of two full-service branches in Hot Springs, South Dakota. This branch was located in a middle-income CT in Fall River County. Also, in January 2014, the institution discontinued operations of a full-service branch located in a middle-income tract in Clark, South Dakota. This was BOW's only branch in Clark County.

### **CD Services**

The institution provided few, if any, CD services in South Dakota. Over the review period, no BOW employee provided any qualified CD service.

# IDAHO

*The Lending Test is rated:*                      *High Satisfactory*  
*The Investment Test is rated:*                *Low Satisfactory*  
*The Service Test is rated:*                    *Low Satisfactory*

BOW's Idaho CRA Rating is Satisfactory.

## SCOPE OF EXAMINATION AND DESCRIPTION OF OPERATIONS

Examiners conducted an off-site, full-scope evaluation of the bank's performance in the Boise MSA AA and an off-site, limited-scope evaluation of the bank's performance in the Idaho Non-MSA AA. A review of FDIC's records and the bank's CRA public file, revealed no CRA complaints since the previous evaluation in this area. BOW operates six branches within Idaho. Refer to the Service Test portion of this evaluation for details regarding BOW's delivery systems and any changes that occurred over the review period.

## DESCRIPTION OF THE IDAHO ASSESSMENT AREAS

Table ID-1 details the Idaho AAs and counties that comprise them.

Table ID-1 – AA Composition, Branches, and ATMs					
AA	MSA or MD	MSA or MD #	Counties	Branches	ATMs
Boise MSA	Boise, ID MSA	14260	Ada, Canyon	5	5
Idaho Non-MSA	N/A	99999	Blaine	1	1
<b>Statewide</b>			<b>Total Branches/ATMs</b>	6	6
<i>Source: Bank records</i>					

Table ID-2 details the demographics for the CAAs. BOW's Idaho Non-MSA AA does not have any low- or moderate-income CTs.

<b>Table ID-2 – Demographic Information</b>						
<b>Demographic Characteristics</b>	<b>#</b>	<b>Low % of #</b>	<b>Moderate % of #</b>	<b>Middle % of #</b>	<b>Upper % of #</b>	<b>NA % of #</b>
CTs	92	2.2	29.4	39.1	29.3	0.0
Population by CT Income Level	602,664	1.2	25.8	41.6	31.4	0.0
Owner-Occupied Housing Units by CT Income Level	151,902	0.6	21.7	42.7	35.0	0.0
Businesses by CT Income Level	52,637	0.8	27.9	36.4	34.9	0.0
Families by Income Level	149,729	18.6	18.0	22.2	41.2	0.0
Families by CT Income Level	149,729	1.1	23.7	41.8	33.4	0.0
Median Family Income		\$59,210				
HUD Adjusted Median Family Income for 2013		\$59,617	Median Housing Value		\$228,487	
Households Below Poverty Level		11.2%				
<i>Source: 2010 U.S. Census Data, 2013 D&amp;B Data</i>						

According to Moody's Economy.com, Idaho's recovery is easily one of the strongest in the Western Region and is outpacing that of the U.S. despite layoffs at some of the state's largest employers. The state's unemployment rate dropped to 6.4 percent in 2013, its lowest level in five years, compared to 7.2 percent for the U.S. unemployment rate. Growth in the leisure/hospitality industry has slowed to a pace more in line with other Mountain states. Homebuilding sustained a steady pace throughout 2013 and foreclosure inventory is approaching prerecession levels.

### Community Contact Observations

Two previously conducted community contacts were reviewed for this evaluation. The first contact stated that there are indications of economic improvement and the volume of loan applications is up. The contact further stated that housing values and sales appear to be adjusting back to replacement cost values; however, current underwriting restrictions are requiring larger down payments that make it tougher for borrowers to qualify for home loans.

The second contact stated that there is a strong need for education and counseling for consumers throughout the state. This contact further stated that there are CD opportunities for local financial institutions to contribute service donations to local organizations and participate in government loan programs. In regards to small business, the contact stated there has not been any indication that businesses are losing customers from depressed economic conditions. The contact stated that most small businesses in the development phase do not qualify for bank financing and pursue alternative options. The contact stated there are a number of other small business programs and sources of financing available.

Both contacts stated that local financial institutions are meeting the overall credit needs of the area and had positive comments regarding these institutions. Overall, examiners determined that primary credit needs are home mortgage and small business loans, as well as educational- and counseling-related services.

## STATEWIDE PERFORMANCE TEST CONCLUSIONS

### LENDING TEST

BOW's Lending Test performance is rated High Satisfactory, primarily driven by the bank's excellent penetration into small businesses with GARs of \$1 million or less and its relatively high level of CD loans in Idaho. Small business lending performance is weighted more heavily in assessing the bank's lending performance.

#### Lending Activity

Overall, BOW's lending levels reflect good responsiveness to AA credit needs given the bank's limited operations and presence in Idaho. The volume of the bank's lending within the state is nominal compared to the bank's total loan production. Examiners reviewed the number and dollar volume of loans originated over the review period, as well as market share and market ranking figures for primary loan products to determine the bank's level of lending relative to the AA's credit needs.

In 2012 and 2013, the bank originated 179 HMDA loans totaling \$44.4 million, compared to 251 small business loans totaling \$33.3 million, and only 8 small farm loans totaling \$672,000. BOW is not an active small farm lender in Idaho. Also, the bank's small farm lending activities are not presented in the evaluation due to its minimal activity with this product.

Tables ID-3 and ID-4 (on the following page) display the bank's small business, HMDA, and deposit market share in its Idaho AAs.

#### Small Business Loans

In 2012, BOW's small business lending activity ranked 11<sup>th</sup> in the state out of 54 reporting lenders. During the same period, the bank deposit market share was 1.1 percent. Greater consideration is given to BOW's small business lending activity, because it represents the bank's greatest loan activity and market share in the state.

Table ID-3 – Small Business Loan and Deposit Market Shares			
AA	2012		Deposit Market Share %
	Rank (\$)	Market Share %	
All Idaho AAs Combined	11 of 54	3.5	1.1
Boise MSA	10 of 51	3.6	0.9
Idaho Non-MSA	12 of 30	1.3	3.3
Source: 2012 CRA Aggregate Data and June 2013 FDIC Summary of Deposits			

## HMDA Loans

HMDA loans are competitive in Idaho. BOW's HMDA activity ranked 60<sup>th</sup> out of 296 reporting lenders in the state for only 0.3 percent market share. Boise MSA ranked similarly at 61<sup>st</sup> out of 279 with 0.2 percent market share. Idaho Non-MSA AA reflected 13<sup>th</sup> out of 118 for 1.4 percent market share.

Table ID-4 – HMDA Loan Market Share		
AA	2012	
	Rank (#)	Market Share %
Idaho AAs Combined	60 of 296	0.3
Boise MSA	61 of 279	0.2
Idaho Non-MSA	13 of 118	1.4
Source: 2012 HMDA Aggregate Data		

## Borrower Profile

The distribution of borrowers in Idaho reflects, given the product lines offered by the institution, good penetration among retail customers of different income levels and business customers of different revenue sizes.

### Small Business Loans

The distribution of borrowers reflects excellent penetration among small business customers of different revenue sizes. Table ID-5 shows BOW's distribution of small business loans by GARs in the Idaho AA. In 2012, BOW originated 62.5 percent of loans to businesses with GARs of \$1 million or less. This performance significantly exceeds the aggregate performance of 40.4 percent. In 2013, the bank's performance trended slightly upward to 63.3 percent.

Table ID-5 – Small Business Loan Borrower Profile						
GARs	2013 D&B	2012 Aggregate Data	2012 Bank		2013 Bank	
	%	%	#	%	#	%
≤ \$1 Million	75.3	40.4	70	62.5	88	63.3
> \$1 Million	3.9		32	28.6	48	34.5
Not Reported	20.8		10	8.9	3	2.2
<b>Total</b>	<b>100.0</b>		<b>112</b>	<b>100.0</b>	<b>139</b>	<b>100.0</b>
Source: 2013 D&B Data, 2012 CRA Aggregate Data, 2012 and 2013 CRA LR's						



Table ID-6 presents the rate of lending to businesses with GARs of \$1 million or less by AAs evaluated within Idaho. It should be noted that the numbers in the Idaho Non-MSA AA are too low for a meaningful analysis. Regarding Boise MSA, the bank's 2012 lending exceeds aggregate lenders. The bank's 2013 Boise MSA performance remained fairly stable and is just under the D&B data.

<b>Table ID-6 – Small Business Penetration Rate By AA</b>						
AA	2013 D&B	2012 Aggregate Data	2012 Bank		2013 Bank	
	%	%	#	%	#	%
Boise MSA	76.0	40.1	68	63.6	84	62.7
Idaho Non-MSA	73.4	44.8	2	40.0	4	80.0
<i>Source: 2013 D&amp;B, 2012 Aggregate Data, 2012 and 2013 CRA LRs</i>						

### HMDA Loans

The distribution of borrowers reflects adequate penetration among retail customers of different income levels. Table ID-7 shows BOW's distribution of HMDA loans by borrower income in the Idaho AA. In 2012, BOW's lending to low-income borrowers of 3.3 percent lagged the aggregate data of 9.3 percent, but the bank's lending to moderate-income borrowers of 18.9 percent slightly exceeded the aggregate data of 16.8 percent. In 2013, the bank had mixed performance, an upward trend in lending to low-income borrowers and a downward trend to moderate-income borrowers occurred.

<b>Table ID-7 – HMDA Loan Borrower Profile</b>						
Borrower Income Level	2010 Census Families	2012 Aggregate Data	2012 Bank		2013 Bank	
	%	%	#	%	#	%
Low	18.6	9.3	3	3.3	8	9.0
Moderate	18.0	16.8	17	18.9	8	9.0
Middle	22.2	19.1	14	15.6	18	20.2
Upper	41.2	38.6	47	52.2	53	59.6
Not Reported	0.0	16.2	9	10.0	2	2.2
<b>Total</b>	<b>100.0</b>	<b>100.0</b>	<b>90</b>	<b>100.0</b>	<b>89</b>	<b>100.0</b>
<i>Source: 2010 U.S. Census, 2012 Aggregate Data, and 2010, 2011, and 2012 HMDA LARs</i>						

Tables ID-8 and ID-9 display BOW's loan penetration rates for LMI borrowers in each AA in Idaho. These tables show that the bank's Boise MSA AA performance is similar to the state's overall performance; however, the Idaho Non-MSA AA loan performance was weaker in 2012, but stronger in 2013.

<b>Table ID-8 –Low-Income Borrower Penetration Rate By AA</b>						
<b>AA</b>	<b>2010 Census Families</b>	<b>2012 Aggregate Data</b>	<b>2012 Bank</b>		<b>2013 Bank</b>	
	<b>%</b>	<b>%</b>	<b>#</b>	<b>%</b>	<b>#</b>	<b>%</b>
Boise MSA	19.0	9.6	3	4.2	7	9.6
Idaho Non-MSA	8.3	3.1	0	0.0	1	6.3
<i>Source: 2010 U.S. Census, 2012 Aggregate Data, and 2012, 2013</i>						

<b>Table ID-9 –Moderate-Income Borrower Penetration Rate By AA</b>						
<b>AA</b>	<b>2010 Census Families</b>	<b>2012 Aggregate Data</b>	<b>2012 Bank</b>		<b>2013 Bank</b>	
	<b>%</b>	<b>%</b>	<b>#</b>	<b>%</b>	<b>#</b>	<b>%</b>
Boise MSA	18.1	17.1	16	22.2	7	9.6
Idaho Non-MSA	14.1	7.8	1	5.6	1	6.3
<i>Source: 2010 U.S. Census, 2012 HMDA Aggregate Data, 2012 and 2013 HMDA LARs</i>						

### **Geographic Distribution**

BOW's geographic distribution of loans reflects adequate penetration throughout the Idaho AAs.

### **Small Business Loans**

The geographic distribution of small business loans reflects adequate penetration throughout the Idaho AAs. Table ID-10 on the following page displays the distribution of small business loans by the income category of CTs within the AAs. In 2012, BOW's loan penetration rate in low-income CTs was 0.9 percent, which is comparable to the aggregate data of 1.0 percent. Also, in 2012, BOW's loan penetration rate of 17.0 percent in moderate-income CTs was below the aggregate data of 31.3 percent. In 2013, the rate of lending in LMI CTs slightly improved. The loan penetration rate in low-income CTs slightly exceeded the 2013 D&B data and the penetration rate in moderate-income CTs lagged the 2013 D&B data.

Table ID-10 – Small Business Loan Geographic Distribution						
CT Income Level	2013 D&B	2012 Aggregate Data	2012 Bank		2013 Bank	
	%	%	#	%	#	%
Low	0.8	1.0	1	0.9	2	1.4
Moderate	27.9	31.3	19	17.0	25	18.0
Middle	36.4	33.2	48	42.9	64	46.1
Upper	34.9	34.5	44	39.3	48	34.5
N/A	0.0	0.0	0	0.0	0	0.0
<b>Total</b>	<b>100.0</b>	<b>100.0</b>	<b>112</b>	<b>100.0</b>	<b>139</b>	<b>100.0</b>
<i>Source: 2013 D&amp;B, 2012 CRA Aggregate Data, 2012 and 2013 CRA LR</i> s						

Tables ID-11 and ID-12 display BOW's small business loan penetration in LMI CTs in each AA. There are no LMI CTs in the Non-MSA. The bank's Boise MSA AA performance represents the statewide conclusions.

Table ID-11 – Small Business Low-Income CT Penetration By AA						
AA	2013 D&B	2012 Aggregate Data	2012 Bank		2013 Bank	
	%	%	#	%	#	%
Boise MSA	0.8	1.0	1	0.9	2	1.5
Idaho Non-MSA	0.0	0.0	0	0.0	0	0.0
<i>Source: 2013 D&amp;B, 2012 CRA Aggregate Data, 2012 and 2013 CRA LR</i> s						

Table ID-12 – Small Business Moderate-Income CT Penetration By AA						
AA	2013 D&B	2012 Aggregate Data	2012 Bank		2013 Bank	
	%	%	#	%	#	%
Boise MSA	28.7	32.8	19	17.8	25	18.7
Idaho Non-MSA	0.0	0.0	0	0.0	0	0.0
<i>Source: 2013 D&amp;B, 2012 CRA Aggregate Data, 2012 and 2013 CRA LR</i> s						

### HMDA Loans

The geographic distribution of HMDA loans reflects good penetration throughout the Idaho AAs. Table ID-13 on the following page shows that BOW did not penetrate low-income CTs, which is reflective of a lack of lending opportunities, as evidenced by the aggregate data of only 0.2 percent. No weight was placed on the bank's lending in low-income CTs. In 2012, BOW's lending in moderate-income CTs of 22.2 percent exceeded the aggregate data of 15.0 percent. In 2013, the bank's lending in moderate-income CTs showed an upward trend.

<b>Table ID-13 – HMDA Loan Geographic Distribution</b>						
<b>CT Income Level</b>	<b>Owner-Occupied Housing Units</b>	<b>2012 Aggregate Data</b>	<b>2012 Bank</b>		<b>2013 Bank</b>	
	<b>%</b>	<b>%</b>	<b>#</b>	<b>%</b>	<b>#</b>	<b>%</b>
Low	0.6	0.2	0	0.0	0	0.0
Moderate	21.7	15.0	20	22.2	24	27.0
Middle	42.7	41.8	23	25.6	33	37.1
Upper	35.0	43.0	47	52.2	32	35.9
N/A	0.0	0.0	0	0.0	0	0
<b>Total</b>	<b>100.0</b>	<b>100.0</b>	<b>90</b>	<b>100.0</b>	<b>89</b>	<b>100.0</b>
<i>Source: 2013 D&amp;B, 2010 and 2011 Aggregate Data, and 2010, 2011, and 2012 CRA LRs</i>						

Tables ID-14 and ID-15 show BOW's HMDA loan penetration rate in LMI CTs by AA in Idaho. There are no LMI CTs in the Non-MSA. The bank's Boise MSA AA performance represents the statewide conclusions.

<b>Table ID-14 – HMDA Low-Income CT Penetration By AA</b>						
<b>AA</b>	<b>Owner-Occupied Housing Units</b>	<b>2012 Aggregate Data</b>	<b>2012 Bank</b>		<b>2013 Bank</b>	
	<b>%</b>	<b>%</b>	<b>#</b>	<b>%</b>	<b>#</b>	<b>%</b>
Boise MSA	0.6	0.2	0	0.0	0	0.0
Idaho Non-MSA	0.0	0.0	0	0.0	0	0.0
<i>Source: 2013 D&amp;B, 2010 and 2011 Aggregate Data, and 2010, 2011, and 2012 CRA LRs</i>						

<b>Table ID-15 – HMDA Moderate-Income CT Penetration By AA</b>						
<b>AA</b>	<b>Owner-Occupied Housing Units</b>	<b>2012 Aggregate Data</b>	<b>2012 Bank</b>		<b>2013 Bank</b>	
	<b>%</b>	<b>%</b>	<b>#</b>	<b>%</b>	<b>#</b>	<b>%</b>
Boise MSA	22.7	15.6	20	27.8	24	32.9
Idaho Non-MSA	0.0	0.0	0	0.0	0	0.0
<i>Source: 2013 D&amp;B, 2010 and 2011 Aggregate Data, and 2010, 2011, and 2012 CRA LRs</i>						

### **Record of Serving the Credit Needs of Highly Economically Disadvantaged**

BOW exhibits an adequate record of serving the credit needs of the most economically disadvantaged areas of its Idaho AAs, low-income individuals, and very small businesses, consistent with safe and sound banking practices.

## CD Loans

BOW made a relatively high level of CD loans in the Idaho AA relative to its market share presence in the state. The bank originated 9 CD loans totaling \$42.6 million since the previous evaluation. This represents 1.5 percent of the total dollar volume of the bank's CD lending activity, which exceeds the percentage of branches the bank operates in Idaho. BOW operated 638 branches at the end of 2012 and 605 branches at the end of 2013. BOW's 6 Idaho branches represented 0.9 percent and 1.0 percent of the bank's total branches in 2012 and 2013, respectively. At the previous evaluation, BOW originated 2 CD loans totaling \$2.7 million.

Table ID-16 displays the bank's CD lending activity in Idaho.

<b>Table ID-16 – CD Lending</b>												
AA	Total		Affordable Housing		Community Services		Economic Development		Revitalization or Stabilization		Neighborhood Stabilization	
	#	\$ (000)	#	\$ (000)	#	\$ (000)	#	\$ (000)	#	\$ (000)	#	\$ (000)
<b>2011</b>												
Boise MSA	5	36,452	1	250	0	0	2	3,702	2	32,500	0	0
Idaho Non-MSA	0	0	0	0	0	0	0	0	0	0	0	0
<b>Total ID – 2011</b>	<b>5</b>	<b>36,452</b>	<b>1</b>	<b>250</b>	<b>0</b>	<b>0</b>	<b>2</b>	<b>3,702</b>	<b>2</b>	<b>32,500</b>	<b>0</b>	<b>0</b>
<b>2012</b>												
Boise MSA	3	3,413	2	2,390	0	0	1	1,023	0	0	0	0
Idaho Non-MSA	0	0	0	0	0	0	0	0	0	0	0	0
<b>Total ID – 2012</b>	<b>3</b>	<b>3,413</b>	<b>2</b>	<b>2,390</b>	<b>0</b>	<b>0</b>	<b>1</b>	<b>1,023</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>2013</b>												
Boise MSA	1	2,700	0	0	0	0	1	2,700	0	0	0	0
Idaho Non-MSA	0	0	0	0	0	0	0	0	0	0	0	0
<b>Total ID – 2013</b>	<b>1</b>	<b>2,700</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>1</b>	<b>2,700</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Grand Total</b>	<b>9</b>	<b>42,565</b>	<b>3</b>	<b>2,640</b>	<b>0</b>	<b>0</b>	<b>4</b>	<b>7,425</b>	<b>2</b>	<b>32,500</b>	<b>0</b>	<b>0</b>
<i>Source: Bank records</i>												

The following are two of the more notable CD loans originated by BOW during the review period:

- BOW participated in refinancing a loan facility in 2011 for \$32.5 million for a paper packaging products company. The company plant is located in and is adjacent to moderate-income areas and lies within the boundaries of the City of Boise's Westside

Urban Renewal District. The company employs over 4,100 employees. This lending facility assisted in revitalizing and stabilizing this area by retaining numerous permanent jobs for LMI residents in the area.

- The bank originated a \$2.1 million loan for a 52-unit apartment complex located adjacent to a large contingent of moderate-income areas near downtown Boise and its Old Boise-Eastside Urban Renewal District. All 52 units are affordable by LMI individuals in the surrounding area.

## **INVESTMENT TEST**

BOW's Investment Test rating is Low Satisfactory. The bank has an adequate level of qualified CD investments and grants, although rarely in a leadership position, particularly those that are not routinely provided by private investors. BOW exhibits adequate responsiveness to credit and community economic needs of the Idaho AAs. The bank occasionally uses innovative or complex investments to support CD initiatives.

The bank holds 5 qualifying CD investments with a total current book value of \$766,000, all from the prior period, and 16 qualifying donations totaling \$35,000 that benefitted the Idaho AAs. The prior period investments include four investments totaling \$332,000 in the Boise MSA and one investment totaling \$434,000 in the Idaho Non-MSA, all of which are affordable-housing-related investments.

Tables ID-17 provides further detail on the number, amount, type, and location of CD donations in Idaho.

<b>Table ID-17 – CD Donations</b>												
<b>AA</b>	<b>Total</b>		<b>Affordable Housing</b>		<b>Community Services</b>		<b>Economic Development</b>		<b>Revitalization or Stabilization</b>		<b>Neighborhood Stabilization</b>	
	<b>#</b>	<b>\$ (000)</b>	<b>#</b>	<b>\$ (000)</b>	<b>#</b>	<b>\$ (000)</b>	<b>#</b>	<b>\$ (000)</b>	<b>#</b>	<b>\$ (000)</b>	<b>#</b>	<b>\$ (000)</b>
<b>2011</b>												
Boise MSA	5	6	0	0	4	5	1	1	0	0	0	0
Idaho Non-MSA	0	0	0	0	0	0	0	0	0	0	0	0
<b>Total ID – 2011</b>	<b>5</b>	<b>6</b>	<b>0</b>	<b>0</b>	<b>4</b>	<b>5</b>	<b>1</b>	<b>1</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>2012</b>												
Boise MSA	9	26	1	2	7	22	1	2	0	0	0	0
Idaho Non-MSA	1	2	0	0	1	2	0	0	0	0	0	0
<b>Total ID – 2012</b>	<b>10</b>	<b>28</b>	<b>1</b>	<b>2</b>	<b>8</b>	<b>24</b>	<b>1</b>	<b>2</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>2013</b>												
Boise MSA	1	1	0	0	0	0	1	1	0	0	0	0
Idaho Non-MSA	0	0	0	0	0	0	0	0	0	0	0	0
<b>Total ID – 2013</b>	<b>1</b>	<b>1</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>1</b>	<b>1</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Grand Total</b>	<b>16</b>	<b>35</b>	<b>1</b>	<b>2</b>	<b>12</b>	<b>29</b>	<b>3</b>	<b>4</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<i>Source: Bank records</i>												

## SERVICE TEST

BOW is rated Low Satisfactory in the Idaho Service Test. Services do not vary in way that inconveniences portions of the Idaho AA, particularly LMI geographies or individuals. Delivery systems are reasonably accessible to essentially all portions of the Idaho AAs. To the extent changes have been made, the bank's opening and closing of branches has generally not adversely affected the accessibility of its delivery systems, particularly in LMI geographies or to LMI individuals. The bank provided an adequate level of CD services over the review period.

## **Reasonableness of Business Hours and Services**

Services do not vary in a way that inconveniences portions of the Idaho AA, particularly LMI geographies or individuals. BOW offers a full array of small business, small farm, residential lending, deposit, and other services across the AAs and CT income levels. All branches offer ATMs and business hours do not vary in any material manner, with the exception that one upper-income branch that is open from 10:00 a.m. to 1:00 p.m. on Saturdays. No other branches are open on Saturdays and all branches are closed on Sundays.

## **Accessibility of Delivery Systems**

Delivery systems are reasonably accessible to essentially all portions of the Idaho AAs. BOW operates six branches in Idaho and is slightly less represented in LMI CTs in comparison to other banks; however, only two low-income CTs exist in the bank's Idaho AAs. Furthermore, the bank's Idaho Non-MSA AA does not have any LMI CTs. Table ID-18 and ID-19 display the bank's branch structure and other data for comparisons.

<b>Table ID-18 – Branch Structure</b>					
<b>Branch and ATM Distribution</b>	<b>CT Income Level</b>				
	<b>Low</b>	<b>Moderate</b>	<b>Middle</b>	<b>Upper</b>	<b>Total</b>
Number of Branches as of March 3, 2014	0	2	1	3	6
Percentage of Branches	0.0	33.3	16.7	50.0	100.0
Number of ATMs as of March 3, 2014	0	2	1	3	6
Percentage of ATMs	0.0	33.3	16.7	50.0	100.0
<b>Comparisons</b>					
Percentage of Branches - All Institutions	0.4	43.1	29.2	27.3	100.0
Percentage of Households	1.1	27.3	40.8	30.8	100.0
Percentage of Families	1.1	23.7	41.8	33.4	100.0
Percentage of Businesses	0.8	27.9	36.4	34.9	100.0
<i>Source: Bank records, 2010 U.S. Census, 2013 D&amp;B</i>					

<b>Table ID-19 – LMI CT Branch Distribution</b>				
<b>AA</b>	<b>Low-Income CTs</b>		<b>Moderate-Income CTs</b>	
	<b>Bank (%)</b>	<b>Aggregate (%)</b>	<b>Bank (%)</b>	<b>Aggregate (%)</b>
Boise MSA	0.0	0.4	40.0	46.1
Idaho Non-MSA	0.0	0.0	0.0	0.0
<i>Source: Bank records, 2012 Peer Deposit Data</i>				

## **Changes in Branch Locations**

To the extent changes have been made, the bank's opening and closing of branches has generally not adversely affected the accessibility of its delivery systems, particularly in LMI geographies or to LMI individuals. Since the previous evaluation, BOW closed its only branch in Washington County, which was located in a middle-income CT. Consequently, the bank removed



Washington County from its Idaho AA, as the bank could no longer service the county. This was the bank's only branch closing. BOW has not opened any branches since the last evaluation.

### **CD Services**

BOW provided an adequate level of CD services in Idaho. During the review period, BOW employees engaged in 39 qualified activities and provided 155 hours of CD services. All CD services benefitted the Boise MSA AA and were primarily for community services targeting LMI individuals. No service hours were reported in the Idaho Non-MSA AA, which is the AA for the single branch in Blaine County, due to the branch's small size and limited number of employees. Table ID-20 provides further information on the number, hours, type, service year, and location of CD services provided in Idaho.

<b>Table ID-20 – CD Services</b>												
<b>Assessment Area</b>	<b>Total</b>		<b>Affordable Housing</b>		<b>Community Services</b>		<b>Economic Development</b>		<b>Revitalization or Stabilization</b>		<b>Neighborhood Stabilization</b>	
	<b>#</b>	<b>Hours</b>	<b>#</b>	<b>Hours</b>	<b>#</b>	<b>Hours</b>	<b>#</b>	<b>Hours</b>	<b>#</b>	<b>Hours</b>	<b>#</b>	<b>Hours</b>
<b>2011</b>												
Boise MSA	4	23	0	0	4	23	0	0	0	0	0	0
Idaho Non-MSA	0	0	0	0	0	0	0	0	0	0	0	0
<b>Total ID – 2011</b>	<b>4</b>	<b>23</b>	<b>0</b>	<b>0</b>	<b>4</b>	<b>23</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>2012</b>												
Boise MSA	12	54	1	2	11	52	0	0	0	0	0	0
Idaho Non-MSA	0	0	0	0	0	0	0	0	0	0	0	0
<b>Total ID – 2012</b>	<b>12</b>	<b>54</b>	<b>1</b>	<b>2</b>	<b>11</b>	<b>52</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>2013</b>												
Boise MSA	23	78	0	0	17	56	6	22	0	0	0	0
Idaho Non-MSA	0	0	0	0	0	0	0	0	0	0	0	0
<b>Total ID – 2013</b>	<b>23</b>	<b>78</b>	<b>0</b>	<b>0</b>	<b>17</b>	<b>56</b>	<b>6</b>	<b>22</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Grand Total</b>	<b>39</b>	<b>155</b>	<b>1</b>	<b>2</b>	<b>32</b>	<b>131</b>	<b>6</b>	<b>22</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<i>Source: Bank records</i>												

# BOISE MSA FULL-SCOPE EVALUATION

## SCOPE OF EXAMINATION

Examiners conducted a full-scope, off-site review of the Boise MSA AA.

## DESCRIPTION OF THE BOISE MSA ASSESSMENT AREA

The counties that comprise the Boise MSA AA are detailed in the statewide description. Table ID-21 details the demographics of the AA.

Table ID-21 – Demographic Information for Boise MSA AA						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA % of #
CTs	88	2.3	30.7	40.9	26.1	0.0
Population by CT Income Level	581,288	1.3	26.7	43.2	28.8	0.0
Owner-Occupied Housing Units by CT Income Level	145,670	0.6	22.7	44.5	32.2	0.0
Businesses by CT Income Level	49,750	0.9	29.5	38.5	31.1	0.0
Families by Income Level	143,955	19.0	18.1	22.5	40.4	0.0
Families by CT Income Level	143,955	1.1	24.6	43.5	30.8	0.0
Median Family Income		\$59,649	Median Housing Value		\$202,049	
HUD Adjusted Median Family Income for 2013		\$60,000				
Households Below Poverty Level		11.3%				
Source: 2010 U.S. Census Data, 2013 D&B Data						

According to Moody's Economy.com, the Boise MSA AA economy has cooled slightly after being one of the nation's best performers over the last year. In spite of recent layoffs at Micron, one of the area's largest employers, the unemployment rate in 2013 was 6.1 percent, compared to 7.2 percent for the U.S. unemployment rate. While employment has steadily improved since 2010, average wages and real per capita disposable income have been stagnant over the last three years. Single family permits have doubled since 2010, but are half of what they were in 2006. Home values are approximately 79 percent of the highs in 2007.

## PERFORMANCE TEST CONCLUSIONS

### LENDING TEST

A more in-depth borrower profile and geographic distribution review of loans originated in the Boise MSA is presented below. Other Lending Test criteria are fully described in the Lending Test section of the statewide performance test conclusions. More weight was given to the bank's small business lending performance, followed by residential lending, due to the number of loans originated. Small farm lending performance was reviewed, but not presented due to the limited

number of loans originated within this AA. Data tables supporting the ratings are presented in the statewide performance test conclusions section.

### **Borrower Profile**

BOW's distribution of borrowers in the Boise MSA AA reflects, given the product lines offered by the institution, good loan penetration among retail customers of different income levels and business customers of different revenue sizes. This conclusion is consistent with statewide performance.

#### **Small Business Loans**

The bank has excellent loan penetration in the Boise MSA AA. In 2012, 63.6 percent of the bank's loans were to small businesses earning GARs of \$1 million or less, compared to the aggregate data of 40.1 percent. In 2013, BOW's performance trended down slightly to 62.7 percent. The 2013 D&B data shows that 76.0 percent of businesses reported GARs of \$1 million or less.

#### **HMDA Loans**

The bank has adequate loan penetration to HMDA borrowers in the Boise MSA AA. In 2012, BOW's penetration of 4.2 percent lagged the aggregate data of 9.6 percent for low-income borrowers, while the bank's loan penetration of moderate-income borrowers of 22.2 percent exceeded the aggregate of 17.1 percent. In 2013, BOW's low-income loan penetration improved to 9.6 percent in 2013, while its moderate-income penetration fell to 9.6 percent. The percentage of families by income level from the 2010 U.S. Census shows that 19.0 percent of families are low-income borrowers and 18.1 percent of families are moderate-income borrowers.

### **Geographic Distribution**

BOW's overall distribution of loans reflects adequate penetration throughout the Boise MSA AA.

#### **Small Business Loans**

The geographic distribution of small business loans reflects adequate loan penetration throughout the Boise MSA AA. BOW's 2012 loan penetration in the low-income CTs was 0.9 percent, which is comparable to the aggregate data of 1.0 percent. In moderate-income CTs, the bank's loan penetration rate of 17.8 percent lagged the aggregate data of 32.8 percent. In 2013, the bank's loan penetration rate in LMI CTs improved. The 2013 loan penetration rates in low-income CTs improved to 1.5 percent, and the loan penetration rates in moderate-income CTs improved to 18.7 percent. The 2013 D&B data shows that 0.8 percent of businesses operate in low-income CTs and 28.7 percent of businesses operate in moderate-income CTs.

### HMDA Loans

The geographic distribution of residential loans reflects good penetration throughout the Boise MSA AA. BOW did not originate any HMDA loans in low-income CTS in 2012 or 2013. The 2012 aggregate data shows that opportunities are limited and other institutions only originated 0.2 percent of HMDA loans in low-income CTS. In addition, only 0.6 percent of owner-occupied housing units are located in low-income CTS. The bank's distribution to moderate-income CTS of 27.8 percent was well above aggregate of 15.6 percent. In 2013, the rate of lending in moderate-income CTS slightly improved to 32.9 percent. There are 22.7 percent of owner-occupied housing units in moderate-income CTS.

### **INVESTMENT TEST**

BOW's Investment Test performance in this AA is consistent with the institution's Investment Test performance in the state.

### **SERVICE TEST**

BOW's Service Test performance in this AA is consistent with the institution's Service Test performance in the state.

## **Limited-Scope AA Evaluations**

Data applicable to the limited-scope AAs indicates that performance is consistent with the institution's performance in the state. Demographic data regarding limited-scope AAs is located in Appendix F.

# **NORTH DAKOTA**

*The Lending Test is rated:* **High Satisfactory**  
*The Investment Test is rated:* **Low Satisfactory**  
*The Service Test is rated:* **Low Satisfactory**

BOW's North Dakota CRA Rating is **Satisfactory**.

## **SCOPE OF EXAMINATION AND DESCRIPTION OF OPERATIONS**

Examiners conducted a full-scope, off-site evaluation of the bank's performance in the North Dakota AAs. A review of FDIC records and the bank's CRA public file, revealed no CRA complaints since the previous evaluation in this area. BOW operates seven full-service branches within North Dakota, three of which are located in the Fargo MSA AA and four are located in the bank's North Dakota Non-MSA AA. In addition, the institution operates four ATMs in the Fargo MSA AA and three ATMs in the North Dakota Non-MSA AA. Refer to the Service Test portion of this evaluation for details regarding BOW's delivery systems and any changes that occurred over the review period.

## **DESCRIPTION OF THE NORTH DAKOTA ASSESSMENT AREAS**

Table ND-1 details the counties that comprise the North Dakota AAs. As indicated in the tables below, the AAs contain a total of 49 CTs. Of the 49 CTs, 33 of the geographies are located in Cass County and are part of the Fargo MSA. The 33 CTs in this MSA include 1 low-income tract, 5 moderate-income tracts, 19 middle-income tracts, and 8 upper-income tracts. None of the geographies in the Fargo MSA AA are designated as underserved and/or distressed geographies. The bank's North Dakota Non-MSA AA includes four counties throughout North Dakota. This AA contains 16 tracts, 14 of which are middle-income tracts and 2 are upper-income tracts. This AA does not contain any LMI geographies. Of the 16 CTs in the Non-MSA AA, 8 of the CTs are designated as underserved and/or distressed geographies.

<b>Table ND-1 – AA Composition, Branches, and ATMs</b>					
<b>AA</b>	<b>MSA or MD</b>	<b>MSA or MD #</b>	<b>Counties</b>	<b>Branches</b>	<b>ATMs</b>
Fargo MSA	Fargo ND-MN MSA	22020	Cass	3	4
North Dakota Non-MSA	N/A	99999	Golden Valley, Griggs, Richland, Stark	4	3
<b>Statewide</b>			<b>Total Branches/ATMs</b>	<b>7</b>	<b>7</b>
<i>Source: Bank records</i>					

Table ND-2 reflects the demographics of the North Dakota AAs.

<b>Table ND-2 – Demographic Information</b>						
<b>Demographic Characteristics</b>	<b>#</b>	<b>Low % of #</b>	<b>Moderate % of #</b>	<b>Middle % of #</b>	<b>Upper % of #</b>	<b>NA % of #</b>
CTs	49	2.0	10.2	67.4	20.4	0.0
Population by CT Income Level	194,398	2.2	10.0	59.2	28.6	0.0
Owner-Occupied Housing Units by CT Income Level	46,976	0.0	6.5	66.0	27.5	0.0
Businesses by CT Income Level	18,683	2.6	15.4	58.5	23.5	0.0
Farms by CT Income Level	1,910	0.1	3.1	75.6	21.2	0.0
Families by Income Level	45,839	17.3	17.3	24.4	41.0	0.0
Families by CT Income Level	45,839	1.5	8.2	62.9	27.4	0.0
Median Family Income		60,407				
HUD Adjusted Median Family Income for 2013		66,622	Median Housing Value		\$136,275	
Households Below Poverty Level		14.0%				
<i>Source: 2010 U.S. Census Data, and 2013 D&amp;B Data</i>						

According to the U.S. BLS, North Dakota's unemployment rate for the fourth quarter 2013 was 2.6 percent, while the nationwide unemployment rate was 7.0 percent. As published by the Bureau of Economic Analysis, the statewide average monthly income per person was \$4,572 in 2012. In comparison, the average monthly income per person for the United States was \$3,645. The statewide highest monthly wages were earned in the utilities, mining, and business service industries. While these numbers reflect statewide averages, anomalies are identified in the western portion of North Dakota where a handful of counties have experienced double-digit manufacturing job growth as a result of oil and gas industry in the Bakken oil shale formation. Comments noted in articles from the Federal Reserve Bank of Minneapolis that North Dakota experienced the greatest percentage change in total employment across all sectors relative to shale counties in other states. An article in the January 2014 issue stated that the average employment in North Dakota shale counties almost tripled from about 3,000 in 2001 to 8,500 in 2012. Job growth in other shale areas was below 40 percent. The article further stated that these oil and gas sectors pay about three times the national average weekly wage. On the eastern side of the state, March 2014 data from the North Dakota Department of Commerce indicated that of the nation's 10 fastest growing metropolitan areas, Fargo ranked fourth. The Fargo metro area (Cass County, North Dakota and Clay County, Minnesota) gained 6,075 residents.

### Community Contact Observations

Community contacts stated that the overall economy of North Dakota is doing very well and businesses are spending money and creating jobs, which in turn, is leading to low unemployment in the state. One contact stated that the low unemployment rate has resulted in new businesses to the area which relates to another contact's statement that the low unemployment rate has resulted in businesses focusing on employee retention and meeting the employment needs of the current businesses. The contacts noted that primary industries in the state include agriculture, education, and medicine-related trades. One of the contacts stated that the resurgence of oil activity in western North Dakota has impacted the metropolitan areas as some residents leave work in the

metropolitan areas to work in western North Dakota. The contacts stated that local financial institutions were doing a good job of meeting the credit needs of the areas and that competition among the institutions is fierce. Finally, the contacts stated that the primary credit needs in the areas were agricultural loans in the rural areas and business and consumer-related loans in the metropolitan areas of the state. None of the contacts were aware of discriminatory practices by any of the financial institutions in the AAs.

## STATEWIDE PERFORMANCE TEST CONCLUSIONS

### LENDING TEST

BOW is rated High Satisfactory in the Lending Test. Based on lending volume, small farm loans are given the most weight in the Non-MSA area, whereas small business lending is given the most weight in the metropolitan AA. On a statewide basis, examiners based the most weight on overall market share for each particular product as well. Therefore, more weight is given to small farm and small business lending, followed by residential real estate lending.

#### Lending Activity

Overall, BOW's lending levels reflect good responsiveness to AA credit needs. Examiners reviewed the number and dollar volume of loans originated over the review period, as well as market share and market ranking figures for primary loan products to determine the bank's level of lending relative to the AA's credit needs.

In 2012 and 2013, the bank originated 100 small farm loans totaling \$12.8 million, 111 small business loans totaling \$12.6 million, and 208 HMDA loans totaling \$41.2 million.

Tables ND-3 through ND-5 (on the following page) reflect BOW's loan market ranking and market shares during 2012 by loan type in the State of North Dakota and each AA. Loan market share for small farm and small business loans is based on the dollar amount of loans, whereas loan market share for HMDA loans is based on the number of loans. Aggregate small farm, small business, and HMDA data is not yet available for 2013.

#### Small Farm Loans

Table ND-3 details BOW's small farm loan market ranking and market shares during 2012 by loan type in the North Dakota AAs.

<b>Table ND-3 – Small Farm Loan Market Share</b>		
<b>AA</b>	<b>2012</b>	
	<b>Rank (\$)</b>	<b>Market Share %</b>
All North Dakota AAs Combined	5 of 23	4.8
Fargo MSA	9 of 19	0.7
North Dakota Non-MSA	5 of 21	7.4
<i>Source: 2012 CRA Aggregate Data</i>		

Examiners reviewed small farm loan market share and market ranking data based on dollar volume rather than number of loans originated. Dollar volumes represent a more relevant comparison. BOW's small farm lending levels reflect good responsiveness to AA credit needs in the North Dakota banking environment for small farm loans. BOW ranked 5th out of 23 small farm lenders in 2012

#### Small Business Loans

Table ND-4 details BOW's small business loan market ranking and market shares during 2012 by loan type in the North Dakota AAs.

<b>Table ND-4 – Small Business Loan and Deposit Market Shares</b>			
AA	2012		Deposit Market Share %
	Rank (\$)	Market Share %	
All North Dakota AAs Combined	10 of 47	1.8	2.1
Fargo MSA	10 of 40	1.7	3.0
North Dakota Non-MSA	7 of 38	2.5	17.4
<i>Source: 2012 CRA Aggregate Data and June 2013 FDIC Summary of Deposits</i>			

Examiners reviewed small business loan market share and market ranking data based on dollar volume rather than number of loans originated. Dollar volumes represent a more relevant comparison, because the market share data includes national credit card lenders. The credit card lenders report numerous small dollar loans that skew the market share ranking based on number of loans originated. Credit card lenders do not provide traditional small business loans in the same manner as BOW and its local competitors. BOW's small business lending levels reflect good responsiveness to AA credit needs in the North Dakota banking environment. BOW ranked 10<sup>th</sup> out of 47 small business lenders in 2012.

#### HMDA Loans

Table ND-5 details BOW's residential mortgage loan market ranking and market shares during 2012 by loan type in the North Dakota AAs.

<b>Table ND-5 – HMDA Loan Market Share</b>		
AA	2012	
	Rank (#)	Market Share %
All North Dakota AAs Combined	19 of 168	1.2
Fargo MSA	16 of 144	1.2
North Dakota Non-MSA	16 of 93	1.1
<i>Source: 2012 HMDA Aggregate Data</i>		



Examiners reviewed HMDA loan market share and market ranking based on dollar volume rather than number of loans originated. BOW's mortgage lending levels reflect good responsiveness to AA credit needs in this saturated industry. BOW ranked 19th out of 168 lenders in 2012.

### **Borrower Profile**

The distribution of borrowers reflects, given the product lines offered by the institution, good penetration among business customers of different revenue sizes and among retail customers of different income levels.

### **Small Business Loans**

The distribution of borrowers reflects excellent loan penetration among small business customers of different revenue sizes. Table ND-6 reflects BOW's distribution of small business loans by GARs in the combined North Dakota AAs. In 2012, BOW originated 57.7 percent of loans to businesses with GARs of \$1 million or less. This performance significantly exceeds the aggregate performance of 31.9 percent. In 2013, the bank's performance increases to 66.1 percent; however, it remains lower than the D&B data of 70.7 percent.

<b>Table ND-6 – Small Business Loan Borrower Profile</b>						
<b>GARs</b>	<b>2013 D&amp;B</b>	<b>2012 Aggregate Data</b>	<b>2012 Bank</b>		<b>2013 Bank</b>	
	<b>%</b>	<b>%</b>	<b>#</b>	<b>%</b>	<b>#</b>	<b>%</b>
≤ \$1 Million	70.7	31.9	30	57.7	39	66.1
> \$1 Million	6.0		16	30.8	19	32.2
Not Reported	23.3		6	11.5	1	1.7
<b>Total</b>	<b>100.0</b>		<b>52</b>	<b>100.0</b>	<b>59</b>	<b>100.0</b>
<i>Source: 2013 D&amp;B Data, 2012 CRA Aggregate Data, 2012 and 2013 CRA LRs</i>						

Table ND-7 on the following page presents the rate of lending to businesses with GARs of \$1 million or less by AAs within the separate AAs in North Dakota. The bank's performance within each AA is generally consistent with the bank's performance at the statewide level.

**Table ND-7 – Small Business Penetration Rate By AA**

AA	2013 D&B	2012 Aggregate Data	2012 Bank		2013 Bank	
	%	%	#	%	#	%
Fargo MSA	70.3	30.3	16	47.1	19	57.6
North Dakota Non-MSA	71.7	38.7	14	77.8	20	76.9

*Source: 2013 D&B, 2012 Aggregate Data, 2012 and 2013 CRA LRs*

### Small Farm Loans

The distribution of borrowers in the North Dakota Non-MSA AA reflects good loan penetration among farm customers of different sizes. Table ND-8 reflects BOW's distribution of small farm loans by GARs in North Dakota. In 2012, BOW originated a majority of loans to farms with GARs of \$1 million or less, significantly exceeding the aggregate performance of 55.7 percent. However, the bank's performance trended significantly downward in 2013 to 59.1 percent, which is a reflection of the strong economy where small farm operators are able to self-fund their own operations.

**Table ND-8 – Small Farm Loan Borrower Profile**

GARs	2013 D&B	2012 Aggregate Data	2012 Bank		2013 Bank	
	%	%	#	%	#	%
≤ \$1 Million	98.8	55.7	53	94.6	26	59.1
> \$1 Million	0.7		2	3.6	15	34.1
Not Reported	0.5		1	1.8	3	6.8
<b>Total</b>	<b>100.0</b>		<b>56</b>	<b>100.0</b>	<b>44</b>	<b>100.0</b>

*Source: 2013 D&B, 2012 Aggregate Data, 2012 and 2013 CRA LRs*

Table ND-9 on the following page reflects the rate of lending to farms with GARs of \$1 million or less by AAs in North Dakota. As indicated earlier, small farm loans are given minimal weight in the MSA AA due to the low volume of activity. As such, the bank's performance in the Non-MSA AA is consistent with the bank's performance at the statewide level.

Table ND-9 – Small Farm Penetration Rate By AA						
AA	2013 D&B	2012 Aggregate Data	2012 Bank		2013 Bank	
	%	%	#	%	#	%
Fargo MSA	98.1	55.8	2	100.0	1	100.0
North Dakota Non-MSA	99.3	55.6	51	94.4	25	58.1
Source: 2013 D&B, 2012 Aggregate Data, 2012 and 2013 CRA LRs						

### HMDA Loans

The distribution of borrowers reflects good loan penetration among retail customers of different income levels. Table ND-10 reflects BOW's distribution of HMDA loans by borrower income in the combined North Dakota AAs. In 2012, the bank's loan penetration of 12.3 percent to low-income borrowers exceeds the aggregate data. Loan penetration of 22.3 percent to moderate-income borrowers in 2012 exceeds the aggregate data of 17.1 percent. In 2013, the bank's penetration rate to low-income borrowers slightly declined, while the penetration rate to moderate-income borrowers slightly improved.

Table ND-10 – HMDA Loan Borrower Profile						
Borrower Income Level	2010 Census Families	2012 Aggregate Data	2012 Bank		2013 Bank	
	%	%	#	%	#	%
Low	17.3	5.6	16	12.3	8	10.3
Moderate	17.3	17.1	29	22.3	19	24.4
Middle	24.4	21.0	29	22.3	11	14.1
Upper	41.0	36.9	43	33.1	32	41.0
Not Reported	0.0	19.4	13	10.0	8	10.2
<b>Total</b>	<b>100.0</b>	<b>100.0</b>	<b>130</b>	<b>100.0</b>	<b>78</b>	<b>100.0</b>
Source: 2010 U.S. Census, 2012 Aggregate Data, and 2012 and 2013 HMDA LARs						

Tables ND-11 and ND-12 on the following page reflect BOW's loan penetration rates for LMI borrowers in each AA in North Dakota. As shown in Table ND-11, the loan penetration rate to low-income borrowers exceeds aggregate lending in both AAs in 2012. The bank's penetration rate to moderate-income borrowers exceeded aggregate data in both AAs. The bank's performance in each AA is consistent with the statewide analysis.

<b>Table ND-11 – Low-Income Borrower Penetration Rate By AA</b>						
AA	2010 Census Families	2012 Aggregate Data	2012 Bank		2013 Bank	
	%	%	#	%	#	%
Fargo MSA	17.4	6.0	12	11.0	5	9.4
North Dakota Non-MSA	16.9	3.6	4	18.2	3	12.0
<i>Source: 2010 U.S. Census, 2012 Aggregate Data, and 2012 and 2013 HMDA LARs</i>						

<b>Table ND-12 – Moderate-Income Borrower Penetration Rate By AA</b>						
AA	2010 Census Families	2012 Aggregate Data	2012 Bank		2013 Bank	
	%	%	#	%	#	%
Fargo MSA	17.4	17.4	25	23.2	11	20.8
North Dakota Non-MSA	17.2	15.9	4	18.2	8	32.0
<i>Source: 2010 U.S. Census, 2012 Aggregate Data, and 2012 and 2013 HMDA LARs</i>						

### **Geographic Distribution**

BOW's geographic distribution of loans reflects adequate penetration throughout the North Dakota AAs. The conclusions in this criterion are heavily weighted on the bank's performance in the five moderate-income CTs contained within the bank's North Dakota AAs. These moderate-income tracts are also located in a business district in the Fargo MSA AA.

### **Small Business Loans**

The geographic distribution of small business loans reflects adequate penetration throughout the North Dakota AAs. Table ND-13 demonstrates that BOW's lending in moderate-income CTs was below that aggregate data in 2012; however, the bank exceeded the demographics in 2013. The bank did not originate any small business loans in low-income tracts during the evaluation period.

<b>Table ND-13 – Small Business Loan Geographic Distribution</b>						
CT Income Level	2013 D&B	2012 Aggregate Data	2012 Bank		2013 Bank	
	%	%	#	%	#	%
Low	2.6	2.2	0	0.0	0	0.0
Moderate	15.4	19.0	7	13.5	14	23.7
Middle	58.5	44.8	30	57.7	33	55.9
Upper	23.5	26.0	15	28.8	12	20.4
N/A	0.0	8.0	0	0.0	0	0.0
<b>Total</b>	<b>100.0</b>	<b>100.0</b>	<b>52</b>	<b>100.0</b>	<b>59</b>	<b>100.0</b>
<i>Source: 2013 D&amp;B, 2012 Aggregate Data, 2012 and 2013 CRA LR</i>						

Tables ND-14 and ND-15 reflect BOW's small business loan penetration in LMI CTs in each North Dakota AA. As previously stated, the only LMI CTs are in the Fargo MSA AA, as the CTs in the Non-MSA AA consist of only middle- and upper-income geographies. The one low-income CT and five moderate-income CTs in the Fargo MSA AA are located in the city's downtown business district. The bank's performance in these moderate-income tracts is generally consistent with the combined North Dakota AA, presented in Table ND-13.

<b>Table ND-14 – Small Business Low-Income CT Penetration By AA</b>						
AA	2013 D&B	2012 Aggregate Data	2012 Bank		2013 Bank	
	%	%	#	%	#	%
Fargo MSA	3.5	2.8	0	0.0	0	0.0
North Dakota Non-MSA	0.0	0.0	0	0.0	0	0.0
<i>Source: 2013 D&amp;B, 2012 Aggregate Data, 2012 and 2013 CRA LR</i>						

<b>Table ND-15 – Small Business Moderate-Income CT Penetration By AA</b>						
AA	2013 D&B	2012 Aggregate Data	2012 Bank		2013 Bank	
	%	%	#	%	#	%
Fargo MSA	20.8	23.4	7	20.6	14	42.4
North Dakota Non-MSA	0.0	0.0	0	0.0	0	0.0
<i>Source: 2013 D&amp;B, 2012 Aggregate Data, 2012 and 2013 CRA LR</i>						

### Small Farm Loans

The geographic distribution of small farm loans was not analyzed, as the AAs in North Dakota contain only one low-income CT and five moderate-income CTs in the business district in the Fargo MSA AA. In addition, a majority of the small farms loans were originated in the Non-MSA AA, which does not contain any LMI CTs.

## HMDA Loans

The geographic distribution of HMDA loans reflects adequate loan penetration throughout the North Dakota AAs. Table ND-16 reflects BOW's geographic distribution for HMDA loans. The tables demonstrate that the bank did not originate any loans in the one low-income CT contained in the North Dakota AAs; however, the aggregate and demographic data indicate minimal residential mortgage opportunity, since the tract is located in a business district. The bank's lending performance in moderate-income CTs exceeds the aggregate data in 2012. The trend dips downward in 2013; however, it mirrors aggregate data. In 2013, the bank's penetration rate in moderate-income CTs declined.

Table ND-16 – HMDA Loan Geographic Distribution						
CT Income Level	Owner-Occupied Housing Units	2012 Aggregate Data	2012 Bank		2013 Bank	
	%	%	#	%	#	%
Low	0.0	0.1	0	0.0	0	0.0
Moderate	6.5	4.7	9	6.9	3	3.9
Middle	66.0	55.9	70	53.9	44	56.4
Upper	27.5	39.3	51	39.2	31	39.7
N/A	0.0	0.0	0	0.0	0	0.0
<b>Total</b>	<b>100.0</b>	<b>100.0</b>	<b>130</b>	<b>100.0</b>	<b>78</b>	<b>100.0</b>
<i>Source: 2010 U.S. Census, 2012 HMDA Aggregate Data, 2012 and 2013 HMDA LARs</i>						

Table ND-17 – HMDA Low-Income CT Penetration By AA						
AA	Owner-Occupied Housing Units	2012 Aggregate Data	2012 Bank		2013 Bank	
	%	%	#	%	#	%
Fargo MSA	0.0	0.1	0	0.0	0	0.0
North Dakota Non-MSA	0.0	0.0	0	0.0	0	0.0
<i>Source: 2010 U.S. Census, 2012 HMDA Aggregate Data, 2012 and 2013 HMDA LARs</i>						

Table ND-18 – HMDA Moderate-Income CT Penetration By AA						
AA	Owner-Occupied Housing Units	2012 Aggregate Data	2012 Bank		2013 Bank	
	%	%	#	%	#	%
Fargo MSA	9.0	5.7	9	8.3	3	5.7
North Dakota Non-MSA	0.0	0.0	0	0.0	0	0.0
<i>Source: 2010 U.S. Census, 2012 HMDA Aggregate Data, 2012 and 2013 HMDA LARs</i>						

## **Record of Serving the Credit Needs of Highly Economically Disadvantaged**

BOW exhibits a good record of serving the credit needs of the most economically disadvantaged areas of its North Dakota AAs, low-income individuals, and very small businesses, consistent with safe and sound banking practices.

### **CD Loans**

BOW is a leader in making CD loans in the North Dakota AAs relative to its position in the state as the 15<sup>th</sup> largest bank in the State of North Dakota. The bank has a market share of 2.1 percent out of 97 institutions in its AA, the top 10 of which have a combined market share of over 50.0 percent. Since the previous evaluation, the bank originated 10 CD loans totaling approximately \$23.7 million. This represents 0.9 percent of the total dollar volume of the bank's CD lending activity, which is slightly less than the percentage of branches the bank operates in the AAs at 1.2 percent. As indicated in Table ND-19, BOW's CD lending in the combined North Dakota AAs was concentrated in CD lending dollars to revitalize or stabilize LMI tracts at 91.6 percent, with the remaining 8.4 percent directed towards economic development.

<b>Table ND-19 – CD Lending</b>												
<b>Assessment Area</b>	<b>Total</b>		<b>Affordable Housing</b>		<b>Community Services</b>		<b>Economic Development</b>		<b>Revitalization or Stabilization</b>		<b>Neighborhood Stabilization</b>	
	<b>#</b>	<b>\$ (000)</b>	<b>#</b>	<b>\$ (000)</b>	<b>#</b>	<b>\$ (000)</b>	<b>#</b>	<b>\$ (000)</b>	<b>#</b>	<b>\$ (000)</b>	<b>#</b>	<b>\$ (000)</b>
<b>2011</b>	<b>2</b>	<b>4,200</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>2</b>	<b>4,200</b>	<b>0</b>	<b>0</b>
Fargo MSA	2	4,200	0	0	0	0	0	0	2	4,200	0	0
North Dakota Non-MSA	1	2,250	0	0	0	0	0	0	1	2,250	0	0
<b>Total ND – 2011</b>	<b>3</b>	<b>6,450</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>3</b>	<b>6,450</b>	<b>0</b>	<b>0</b>
<b>2012</b>												
Fargo MSA	4	11,725	0	0	1	1,000	0	0	3	10,725	0	0
North Dakota Non-MSA	1	2,250	0	0	0	0	0	0	1	2,250	0	0
<b>Total ND – 2012</b>	<b>5</b>	<b>13,975</b>	<b>0</b>	<b>0</b>	<b>1</b>	<b>1,000</b>	<b>0</b>	<b>0</b>	<b>4</b>	<b>12,975</b>	<b>0</b>	<b>0</b>
<b>2013</b>												
Fargo MSA	1	1,000	0	0	1	1,000	0	0	0	0	0	0
North Dakota Non-MSA	1	2,250	0	0	0	0	0	0	1	2,250	0	0
<b>Total ND – 2013</b>	<b>2</b>	<b>3,250</b>	<b>0</b>	<b>0</b>	<b>1</b>	<b>1,000</b>	<b>0</b>	<b>0</b>	<b>1</b>	<b>2,250</b>	<b>0</b>	<b>0</b>
<b>Grand Total</b>	<b>10</b>	<b>23,675</b>	<b>0</b>	<b>0</b>	<b>2</b>	<b>2,000</b>	<b>0</b>	<b>0</b>	<b>8</b>	<b>21,675</b>	<b>0</b>	<b>0</b>
<i>Source: Bank records</i>												

## **INVESTMENT TEST**

BOW's Investment Test rating is Low Satisfactory. The bank has an adequate level of qualified CD investments and grants, although rarely in a leadership position, particularly those that are

not routinely provided by private investors. BOW's investments exhibit an adequate responsiveness to credit and community economic needs of the combined North Dakota AAs. The bank occasionally uses innovative or complex investments to support CD initiatives. When compared to a peer institution for the CAAs, BOW's qualified investment activity is similar by number; however, the dollar volume of BOW's investment activity is significantly less.

Since the previous evaluation, BOW did not purchase any new qualifying investments in North Dakota; however, BOW holds 6 qualified prior period investments with a book value of approximately \$825,655. Two of these qualified investments with a book value of approximately \$245,708 directly benefits one of the bank's AAs in North Dakota, while the 4 remaining investments benefit North Dakota on a statewide basis. The prior period qualified investments include targeted mortgage-backed securities, LIHTCs, private equities, and investments in a "Qualified Zone Academy Bond." In addition to the CD investments, BOW made 36 qualifying donations totaling approximately \$96,000. While the bank's CD investment activity is adequate, the dollar volume of CD investment activity has decreased since the previous evaluation. CD donations specifically benefiting the North Dakota AAs are detailed in Table ND-20. As illustrated in the table, the majority of BOW's qualified donations targeted community services for LMI borrowers and/or LMI geographies.

<b>Table ND-20 – CD Donations</b>												
<b>Assessment Area</b>	<b>Total</b>		<b>Affordable Housing</b>		<b>Community Services</b>		<b>Economic Development</b>		<b>Revitalization or Stabilization</b>		<b>Neighborhood Stabilization</b>	
	<b>#</b>	<b>\$ (000)</b>	<b>#</b>	<b>\$ (000)</b>	<b>#</b>	<b>\$ (000)</b>	<b>#</b>	<b>\$ (000)</b>	<b>#</b>	<b>\$ (000)</b>	<b>#</b>	<b>\$ (000)</b>
<b>2011</b>												
Fargo MSA	10	25	2	3	7	17	1	5	0	0	0	0
North Dakota Non-MSA	1	2	0	0	0	0	0	0	1	2	0	0
<b>Total ND - 2011</b>	<b>11</b>	<b>27</b>	<b>2</b>	<b>3</b>	<b>7</b>	<b>17</b>	<b>1</b>	<b>5</b>	<b>1</b>	<b>2</b>	<b>0</b>	<b>0</b>
<b>2012</b>												
Fargo MSA	9	27	1	5	6	15	2	7	0	0	0	0
North Dakota Non-MSA	4	8	0	0	2	4	2	4	0	0	0	0
<b>Total ND - 2012</b>	<b>13</b>	<b>35</b>	<b>1</b>	<b>5</b>	<b>8</b>	<b>19</b>	<b>4</b>	<b>11</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>2013</b>												
Fargo MSA	8	26	0	0	7	21	1	5	0	0	0	0
North Dakota Non-MSA	4	8	0	0	3	6	1	2	0	0	0	0
<b>Total ND – 2013</b>	<b>12</b>	<b>34</b>	<b>0</b>	<b>0</b>	<b>10</b>	<b>27</b>	<b>2</b>	<b>7</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Grand Total</b>	<b>36</b>	<b>96</b>	<b>3</b>	<b>8</b>	<b>25</b>	<b>63</b>	<b>7</b>	<b>23</b>	<b>1</b>	<b>2</b>	<b>0</b>	<b>0</b>
<i>Source: Bank records</i>												

The bank reported an increase in donations and grants from those reported during the previous evaluation. Specifically, total qualified donations for North Dakota at the previous evaluation totaled \$62,000, whereas total qualified donations at the current evaluation total \$96,000. Qualified investments and donations covered the North Dakota AAs in a manner consistent with the bank's allocation of resources. Representative examples of qualified donations are provided below:



- BOW provided a \$5,000 grant to a non-profit organization to support its business incubator and economic development programs that assist LMI individuals with starting their own business, maintaining their business, workforce development, helping to retain their existing business, and prepare them to secure funding.
- The bank provided a \$5,000 grant to support a classroom program at an area school in which 61 percent of the students qualify for free or reduced lunch. The program is utilized to teach low-income students the basic concepts of credit, philanthropy, and budgeting.

## **SERVICE TEST**

BOW is rated Low Satisfactory in the North Dakota Service Test. Services do not vary in a way that inconveniences certain portions of the combined North Dakota AAs, particularly LMI geographies and individuals. Delivery systems are reasonably accessible to essentially all portions of the institutions AAs. BOW's record of opening and closing branches has generally not adversely affected the accessibility of its delivery systems. BOW provided an adequate level of CD services over the review period.

### **Reasonableness of Business Hours and Services**

Services do not vary in a way that inconveniences certain portions of the North Dakota AA, particularly LMI geographies and individuals. Business hours at each branch are generally consistent with the exception of the Beach branch location in that it does not offer Saturday hours. The sole branch in the low-income CT offers convenient hours that include Saturday hours in both the lobby and drive-up. No other variances in services have an impact upon the analysis. ATM machines are offered at every branch, with the exception of the Beach, North Dakota, location.

### **Accessibility of Delivery Systems**

Delivery systems are reasonably accessible to essentially all portions of the combined North Dakota AAs. As of March 3, 2014, BOW operates seven full-service branches in North Dakota, and Table ND-21 on the following page evaluates the branch structure in the same manner as presented in previous states. BOW operates one branch in a low-income tract; however, the remaining 6 branches in North Dakota are located in middle-income tracts. Compared to the competition, as well as the percentage of household, family, and business demographics of the AA, BOW's branch penetration in the low-income area is more than reasonable. As indicated earlier, the bank closed its Cooperstown, North Dakota, location in January 2014. The branch was located in a middle-income tract and surrounded by all middle-income tracts. As such, the branch closure did not adversely impact businesses and residents of LMI areas.

**Table ND-21 – Branch Structure**

Branch and ATM Distribution	CT Income Level					
	Low	Moderate	Middle	Upper	N/A	Total
Number of Branches as of March 3, 2014	1	0	6	0	0	7
Percentage of Branches	14.3	0.0	85.7	0.0	0.0	100.0
Number of ATMs as of March 3, 2014	1	0	6	0	0	7
Percentage of ATMs	14.3	0.0	85.7	0.0	0.0	100.0
<b>Comparisons</b>						
Percentage of Branches - All Institutions	5.1	9.4	65.9	19.6	0.0	100.0
Percentage of Households	3.1	12.0	61.5	23.4	0.0	100.0
Percentage of Families	1.5	8.2	62.9	27.4	0.0	100.0
Percentage of Businesses	2.6	15.4	58.5	23.5	0.0	100.0

Source: Bank records, 2010 U.S. Census, and 2013 D&B

As indicated in Table ND-22, the bank's performance in the Fargo MSA AA is reasonable when compared to aggregate data, particularly with the fierce financial competition in the MSA. Again, the Non-MSA portion of the bank's North Dakota AA does not contain any LMI tracts.

**Table ND-22 – LMI CT Branch Distribution**

AA	Low-Income CTs		Moderate-Income CTs	
	Bank (%)	Aggregate (%)	Bank (%)	Aggregate (%)
Fargo MSA	33.3	7.4	0.0	13.7
North Dakota Non-MSA	0.0	0.0	0.0	0.0

Source: Bank records, 2012 Peer Deposit Data

### **Change in Branch Locations**

The institution's opening and closing of branches has generally not adversely affected the accessibility of its delivery systems, particularly in LMI geographies and/or to LMI individuals. No branches were closed in the North Dakota AAs until January 2014 when the bank closed the Cooperstown full-service branch in the bank's Non-MSA portion of North Dakota. This branch was located in a middle-income CT in Cooperstown, North Dakota, and was the only BOW branch in Griggs County.

### **CD Services**

BOW provided an adequate level of CD services in North Dakota as depicted in Table ND-23 on the following page. Over the review period, bank personnel provided 32 instances totaling 99 hours of qualified CD services.

Table ND-23 – CD Services												
Assessment Area	Total		Affordable Housing		Community Services		Economic Development		Revitalization or Stabilization		Neighborhood Stabilization	
	#	Hours	#	Hours	#	Hours	#	Hours	#	Hours	#	Hours
<b>2011</b>												
Fargo MSA	0	0	0	0	0	0	0	0	0	0	0	0
North Dakota Non-MSA	0	0	0	0	0	0	0	0	0	0	0	0
<b>Total ND - 2011</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>2012</b>												
Fargo MSA	11	37	1	3	10	34	0	0	0	0	0	0
North Dakota Non-MSA	0	0	0	0	0	0	0	0	0	0	0	0
<b>Total ND - 2012</b>	<b>11</b>	<b>37</b>	<b>1</b>	<b>3</b>	<b>10</b>	<b>34</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>2013</b>												
Fargo MSA	21	62	14	36	7	26	0	0	0	0	0	0
North Dakota Non-MSA	0	0	0	0	0	0	0	0	0	0	0	0
<b>Total ND - 2013</b>	<b>21</b>	<b>62</b>	<b>14</b>	<b>36</b>	<b>7</b>	<b>26</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Grand Total</b>	<b>32</b>	<b>99</b>	<b>15</b>	<b>39</b>	<b>17</b>	<b>60</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<i>Source: Bank records</i>												

## FARGO MSA FULL-SCOPE EVALUATION

### SCOPE OF EXAMINATION

Examiners conducted a full-scope, off-site review of the Fargo MSA AA. This section of the evaluation represents a more in-depth borrower profile and geographic distribution review of loans originated than illustrated in the statewide AA analysis.

## DESCRIPTION OF THE FARGO MSA ASSESSMENT AREA

The counties that comprise this AA are detailed in the statewide description. Table ND-24 details the demographics of the AA.

Table ND-24 – Demographic Information for Fargo MSA AA						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA % of #
CTs	33	3.0	15.2	57.6	24.2	0.0
Population by CT Income Level	149,778	2.9	13.0	51.1	33.0	0.0
Owner-Occupied Housing Units by CT Income Level	33,712	0.0	9.0	57.3	33.7	0.0
Businesses by CT Income Level	13,849	3.5	20.8	47.5	28.2	0.0
Farms by CT Income Level	859	0.2	6.9	62.1	30.8	0.0
Families by Income Level	34,580	17.4	17.4	24.7	40.5	0.0
Families by CT Income Level	34,580	2.0	10.8	55.0	32.2	0.0
Median Family Income		67,675				
HUD Adjusted Median Family Income for 2013		73,800	Median Housing Value		\$146,499	
Households Below Poverty Level		14.0%				
Source: 2010 U.S. Census Data, 2013 D&B Data						

According to BLS, the unemployment rate for the Fargo MSA for the 4<sup>th</sup> quarter 2013 was 2.6 percent, which is slightly higher than the statewide unemployment rate of 2.3 percent, but significantly less than the national unemployment rate of 6.7 percent. According to the Bureau of Economic Analysis, the average monthly income per person for the MSA was \$3,865 in 2012. In comparison, the same average monthly income per person for the United States was \$3,645. The BLS reflects a 23.6 percent growth in the construction industry for the Fargo MSA, followed by transportation and utilities at a growth rate of 4.1 percent.

## PERFORMANCE TEST CONCLUSIONS

### LENDING TEST

A more in-depth borrower profile and geographic distribution review of loans originated in the Fargo MSA AA is presented below. Other Lending Test criteria are fully described in the Lending Test section of the statewide performance test conclusions. The greatest weight was given to the bank's small business lending performance and then HMDA lending. Small farm lending was not evaluated due to the small number of loans originated within this AA. Data supporting the ratings is presented in the statewide performance test conclusions section.

### Borrower Profile

BOW's distribution of borrowers in the Fargo MSA AA reflects, given the product lines offered by the institution, good penetration among business customers of different revenue sizes and retail customers of different income levels. This conclusion is generally consistent with statewide performance.

### Small Business Loans

BOW's distribution of borrowers reflects good loan penetration among business customers of different revenue sizes in the Fargo MSA AA. BOW's 2012 loan penetration of 47.1 percent to businesses with GARs of \$1 million or less exceeds the aggregate data of 30.3 percent. In 2013, the bank's loan performance trended upwards to 57.6 percent.

### HMDA Loans

The distribution of borrowers reflects good loan penetration among retail customers of different income levels. The bank's loan penetration of 11.0 percent to low-income borrowers exceeds the aggregate data of 6.0 percent for 2012. In 2013, the rate of lending to low-income borrowers slightly declined to 9.4 percent and lags the demographics of 17.4 percent for low-income families. The bank's loan performance of 23.2 percent to moderate-income borrowers exceeds the aggregate data of 17.4 percent for 2012. In 2013, the loan penetration rates to moderate-income borrowers slightly declined to 20.8 percent, but it still exceeded the demographics of moderate-income families at 17.4 percent.

### Geographic Distribution

BOW's geographic distribution of loans reflects good penetration throughout the Fargo MSA AA. As indicated earlier, this AA contains only one low-income and five moderate-income CTs that are located in business districts in the MSA. The remaining 27 tracts are middle- and upper-income geographies.

### Small Business Loans

The geographic distribution of small business loans reflects good loan penetration throughout the Fargo MSA AA. BOW did not originate any small business loans in the low-income CT in 2012 or 2013. Other lenders originated 2.8 percent of their small business loans in low-income CTs in 2012. The 2013 D&B data shows 3.5 percent of businesses are operating in low-income CTs. The aggregate and demographic data indicate that opportunities are limited in the low-income CT. The CT is located near a shopping mall with at least five other institutions operating in the area. The bank's lending performance to small businesses in moderate-income CTs of 20.6 percent slightly lags the 2012 aggregate data of 23.4 percent. In 2013, the bank improved its lending performance to 42.4 percent, which significantly surpasses the D&B data at 20.8 percent. The bank's improvement in moderate-income CTs in 2013 had a positive impact on the rating.

### HMDA Loans

The geographic distribution of HMDA loans reflects adequate loan penetration throughout the Fargo MSA AA. BOW did not originate any HMDA loans in the low-income CT in 2012 or 2013. Aggregate data in 2012 shows only 0.1 percent was originated in the low-income tract and the 2010 U.S. Census reported 0.0 percent of owner-occupied units reside in this CT. As indicated earlier, the low-income tract is located in a business district. BOW originated 8.3

percent of its HMDA loans in moderate-income CTs in 2012, which exceeded the aggregate data of 5.7 percent. The bank's performance in moderate-income CTs declined in 2013 to 5.7 percent and also lagged the owner-occupied units of 9.0 percent.

### **INVESTMENT TEST**

BOW's Investment Test performance in this AA is consistent with the institution's Investment Test performance in the state. As noted earlier, BOW did not purchase any new qualifying investments since the previous evaluation; however, of the total prior period investments noted earlier, one of the investments with a book value of approximately \$214,945 was a LIHTC that directly benefits the Fargo MSA AA. Additionally, BOW made 27 qualifying donations totaling approximately \$78,000 in the Fargo MSA AA. CD donations specifically benefiting the Fargo MSA AA are detailed earlier in Table ND-23.

### **SERVICE TEST**

BOW's Service Test performance in this AA is consistent with the institution's Service Test performance in the state. Over the review period, bank personnel provided 99 hours of qualified CD services.

# NORTH DAKOTA NON-MSA FULL-SCOPE EVALUATION

## SCOPE OF EXAMINATION

Examiners conducted a full-scope, off-site review of the North Dakota Non-MSA AA. This section of the evaluation represents a more in-depth borrower profile and geographic distribution review of loans originated than illustrated in the statewide AA analysis.

## DESCRIPTION OF THE NORTH DAKOTA NON-MSA ASSESSMENT AREA

The counties that comprise this AA are detailed in the statewide description. Table ND-25 details the demographics of the AA.

<b>Table ND-25 – Demographic Information for North Dakota Non-MSA AA</b>						
<b>Demographic Characteristics</b>	<b>#</b>	<b>Low % of #</b>	<b>Moderate % of #</b>	<b>Middle % of #</b>	<b>Upper % of #</b>	<b>NA % of #</b>
CTs	16	0.0	0.0	87.5	12.5	0.0
Population by CT Income Level	44,620	0.0	0.0	86.1	13.9	0.0
Owner-Occupied Housing Units by CT Income Level	13,264	0.0	0.0	88.2	11.8	0.0
Businesses by CT Income Level	4,834	0.0	0.0	89.8	10.2	0.0
Farms by CT Income Level	1,051	0.0	0.0	86.8	13.2	0.0
Families by Income Level	11,259	16.9	17.2	23.4	42.5	0.0
Families by CT Income Level	11,259	0.0	0.0	87.3	12.7	0.0
Median Family Income		58,557				
HUD Adjusted Median Family Income for 2013		64,800	Median Housing Value		\$103,324	
Households Below Poverty Level		12.0%				
<i>Source: 2010 U.S. Census Data, 2013 D&amp;B Data</i>						

The bank's Non-MSA AAs include Golden Valley and Stark Counties on the western side of the state. On the eastern side of the state, the bank's Non-MSA AAs include Griggs and Richland Counties. However, as indicated earlier, BOW closed its branch in Cooperstown, North Dakota, in January 2014. This was the bank's sole branch in Griggs County, but as of the date of this evaluation, remained a portion of the bank's Non-MSA North Dakota AAs.

The overall economy in the bank's non-metropolitan areas in western North Dakota is strong. The economy in the eastern portion of the state remains strong, but not as robust as western North Dakota. According to the Bureau of Economic Analysis, the average monthly income per person in Stark and Golden Valley Counties (western side of the state) was \$5,890 and was \$3,613, in 2012, respectively. Average monthly income per person in Griggs and Richland Counties was \$5,170 and \$4,463, in 2012, respectively. In comparison, the same average monthly income per person for statewide North Dakota was \$4,556 and nationwide \$3,645. Based on data from the BLS, the unemployment rate for the fourth quarter 2013 for Golden

Valley and Stark Counties (western side of the state) was 2.1 and 1.2 percent, respectively. The same source reflects unemployment rates for Griggs and Richland Counties (eastern side of the state) as 2.2 and 2.7 percent, respectively. In comparison, the statewide unemployment rate was 2.3 percent, while the nationwide unemployment rate was 6.7 percent.

## **PERFORMANCE TEST CONCLUSIONS**

### **LENDING TEST**

A more in-depth borrower profile and geographic distribution review of loans originated in the North Dakota Non-MSA AA is presented below. Other Lending Test criteria are fully described in the Lending Test section of the statewide performance test conclusions. The greatest weight was given to the bank's small farm lending performance, followed by small business and HMDA lending. Data supporting the ratings is presented in the statewide performance test conclusions section.

#### **Borrower Profile**

BOW's distribution of borrowers in the North Dakota Non-MSA AA reflects, given the product lines offered by the institution, good loan penetration among business customers and farms of different revenue sizes and retail customers of different income levels. This conclusion is consistent with statewide performance.

#### **Small Business Loans**

BOW's distribution of borrowers reflects excellent penetration among business customers of different revenue sizes in the North Dakota Non-MSA AA. BOW's 2012 loan penetration of 77.8 percent to businesses with GARs of \$1 million or less significantly exceeds the aggregate data of 38.7 percent. In 2013, the loan performance remained fairly stable and exceeded the D&B data.

#### **Small Farm Loans**

The distribution of borrowers in the North Dakota Non-MSA AA reflects good loan penetration among farm operators of different revenue sizes. In 2012, BOW originated 94.4 percent of its loans to small farms with GARs of \$1 million or less, which significantly exceeds the aggregate data of 55.6 percent. In 2013, the bank's performance trended downward and was below the D&B data of 99.3 percent. This conclusion is consistent with the statewide performance.

#### **HMDA Loans**

The distribution of borrowers reflects good penetration among retail customers of different income levels. In 2012, BOW originated 18.2 percent of its HMDA loans to low-income borrowers, which significantly exceeds aggregate data of 3.6 percent. In 2013, the penetration to low-income borrowers slightly declined to 12.0 percent and lagged demographic data of 16.9 percent. The bank's rate of lending to moderate-income borrowers in 2012 was 18.2 percent,



which exceeds the aggregate data of 15.9 percent. In 2013, the rate of lending to moderate-income borrowers increased significantly to 32.0 percent and exceeds the demographic data of 17.2 percent. This conclusion is consistent with the statewide performance.

### **Geographic Distribution**

The North Dakota Non-MSA AA does not contain any LMI CTs. Instead, the Non-MSA AA contains 14 middle-income CTs and 2 upper-income CTs. As such, this area was not assessed.

### **INVESTMENT TEST**

BOW's Investment Test performance in this AA is generally consistent with the institution's statewide Investment Test performance. As noted earlier, BOW did not purchase any new qualified investments since the previous evaluation; however, one of the prior period investments with a book value of approximately \$30,763 consisted of a Qualified Zone Academy Bond within Griggs County, which is located in the North Dakota Non-MSA AA. Additionally, as detailed in Table ND-23, BOW made nine qualified donations in the North Dakota Non-MSA AA since the previous evaluation. These donations totaled approximately \$18,000.

### **SERVICE TEST**

BOW provided few, if any, CD services in the bank's Non-MSA AA. Over the review period, no BOW employee completed any CD service.

# WASHINGTON

*The Lending Test is rated:* **Outstanding**  
*The Investment Test is rated:* **Low Satisfactory**  
*The Service Test is rated:* **Low Satisfactory**

BOW's Washington CRA Rating is **Satisfactory**.

## SCOPE OF EXAMINATION AND DESCRIPTION OF OPERATIONS

Examiners conducted a full-scope, off-site evaluation of the bank's performance in the Kennewick MSA AA, since this is where BOW has the largest share of Washington branches and higher market share. Off-site, limited-scope reviews of the three other AAs were also completed. A review of FDIC records and the bank's CRA public file revealed no CRA complaints since the previous evaluation in this area. Refer to the Service Test portion of this evaluation for details regarding BOW's delivery systems and any changes that occurred over the review period.

## DESCRIPTION OF THE WASHINGTON ASSESSMENT AREA

The Washington AAs are comprised of four individual AAs, three of which are in MSAs and one in a Non-MSA area in Kittitas County. All AAs summarized below are comprised of entire counties with the exception of the Seattle MD AA. The Seattle branch opened in December 2012, and since BOW only has a single branch in the large Seattle and King County market, BOW did not include the entire King County in its AA. Instead, BOW has delineated 242 CTs in and around Seattle, Washington, as the Seattle MD AA. The Seattle MD AA, and all other Washington AAs, include entire geographies and do not arbitrarily exclude LMI geographies.

Table WA-1 summarizes the counties and geographies that comprise the Washington AAs.

Table WA-1 – AA Composition, Branches, and ATMs					
AA	MSA or MD	MSA or MD #	Counties	Branches	ATMs
Kennewick MSA	Kennewick-Richland, WA MSA	28420	Benton, Franklin	4	4
Seattle MD	Seattle-Bellevue, WA MD	18700	Portion of King County	1	2
Yakima MSA	Yakima, WA MSA	49420	Yakima	1	1
Washington Non-MSA	N/A	99999	Kittitas	1	1
<b>Statewide</b>			<b>Total Branches/ATMs</b>	<b>7</b>	<b>8</b>
<i>Source: Bank records</i>					

Table WA-2 details the demographics of the statewide Washington AAs.

Table WA-2 – Demographic Information						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA % of #
CTs	345	6.1	20.9	39.1	33.0	0.9
Population by CT Income Level	1,677,306	6.2	21.2	40.9	31.4	0.3
Owner-Occupied Housing Units by CT Income Level	383,848	2.4	15.7	41.1	40.8	0.0
Businesses by CT Income Level	204,907	6.3	15.7	40.6	37.3	0.1
Families by Income Level	381,666	21.2	16.9	20.3	41.6	0.0
Families by CT Income Level	381,666	4.6	19.4	40.8	35.2	0.0
Median Family Income		\$75,609	Median Housing Value		\$377,687	
HUD Adjusted Median Family Income for 2013		\$78,396				
Households Below Poverty Level		12.1%				
Source: 2010 U.S. Census Data, 2013 D&B Data						

According to Moody's Analytics, Washington's recovery is ahead of the nation's recovery. It was one of the west's strongest performers in 2013, though some momentum was lost in the second half of 2013, following layoffs at Boeing, which is Washington's largest employer. Moody's reports that in addition to job gains, Washington has increased jobs in airplane manufacturing, computer systems designs, and software publishers, which are all high-paying industries that push the state's wage levels higher. Washington's unemployment has declined from 9.2 percent in 2011 to 8.2 percent in 2012, and 7.0 percent in 2013. As unemployment declined, single-family housing permits increased from 13,159 in 2011 to 16,508 in 2012, and 17,554 in 2013.

### Community Contact Observations

One previously conducted community contact was reviewed in Washington. The contact characterized the economic conditions as somewhat stable, compared to the nation, with no decline or appreciation of building values noted within the last few years. The contact stated that commercial construction has slowed and there are a number of commercial vacancies, especially in strip malls. However, there are strong employers that should help the area overcome any economic challenges. The contact noted that credit needs remain the same, namely small business financing and start-up funding, and recognizing the current environment makes small business financing difficult to obtain. The contact stated that local financial institutions are meeting the overall credit needs of the area. Examiners determined the primary credit need is small business loans.

## STATEWIDE PERFORMANCE TEST CONCLUSIONS

### LENDING TEST

BOW's Lending Test performance is rated Outstanding driven by excellent penetration among retail customers of different income levels and businesses of different sizes as well as the excellent penetration of small business and residential loans into LMI areas. BOW's performance in lending to small businesses with GAR under \$1 million, and the geographic distribution of small business loans in particular, outweighs other factors to assess overall lending performance in Washington.

#### Lending Activity

Overall, BOW's lending levels reflect good responsiveness to AA credit needs. Examiners reviewed the number and dollar volume of loans originated over the review period, as well as market share and market ranking figures for primary loan products to determine the bank's level of lending relative to the AA's credit needs.

In 2012 and 2013, BOW originated 152 small business loans totaling \$18.7 million, 115 HMDA loans totaling \$21.2 million, and 29 small farm loans totaling \$3.3 million, for a total of 296 reportable loans totaling \$43.2 million in Washington. BOW's small business and HMDA lending levels were similar for the review period. However, BOW has a higher market share in small business lending, which results in small business loans receiving slightly higher weighting than HMDA loans.

#### Small Business Loans

Table WA-3 provides market ranks for small business loans originated by dollar amount and deposit market shares for Washington and individual AAs.

Table WA-3 – Small Business Loan and Deposit Market Shares			
AA	2012		Deposit Market Share %
	Rank (\$)	Market Share %	
All Washington AAs Combined	30 of 108	0.5	0.3
Kennewick MSA	10 of 42	3.6	4.8
Seattle MD	66 of 102	0.1	0.0
Yakima MSA	11 of 40	2.2	2.6
Washington Non-MSA	4 of 34	6.8	4.2
Source: 2012 Aggregate Data and June 2013 FDIC Summary of Deposits			

BOW does not have a large branch network in Washington, either as a percentage of all institutions in Washington, or as a percentage of all of BOW's operations. BOW has gained higher market share in small business loans than deposits in Washington, which indicates an active lending presence. Market shares for business loans use the dollar amount of loans, since

small dollar business credit cards can skew percentages if the number of small business loans is used. The Seattle MD market performance dwarfs the bank's other Washington markets. This anomaly is caused by the bank adding the Seattle MD to its AAs due to a recently opened Seattle office in December 2012.

### HMDA Loans

Table WA-4 provides information on BOW's residential mortgage loan market ranking and market shares for 2012 for the state and individual AAs.

<b>Table WA-4 – HMDA Loan Market Share</b>		
<b>AA</b>	<b>2012</b>	
	<b>Rank (#)</b>	<b>Market Share %</b>
All Washington AAs Combined	120 of 514	0.1
Kennewick-Richland MSA	40 of 259	0.3
Seattle-Bellevue-Everett MSA	241 of 475	0.0
Yakima MSA	73 of 220	0.1
Washington Non-MSA	31 of 179	0.7
<i>Source: 2012 HMDA Aggregate Data</i>		

Based on the number of loans originated, BOW's HMDA loan market share is relatively small in Washington and across each AA. The bank's HMDA loan originations at this evaluation are comparable to HMDA loans reported at the previous evaluation.

### Small Farm Loans

BOW is not an active small farm lender in Washington. BOW originated 29 small farm loans totaling \$3.3 million in 2012 and 2013. The 2012 volume of 16 loans totaling \$1.3 million represents a market rank of 9<sup>th</sup> of 29 banks with a 1.6 percent market share in Washington. Due to BOW's low volume of small farm lending in the state, they are not presented in this evaluation.

### Borrower Profile

The distribution of borrowers in Washington reflects, given the product lines offered by the institution, excellent penetration among retail customers of different income levels and business customers of different revenue sizes.

## Small Business Loans

The distribution of borrowers reflects excellent penetration among businesses of different sizes. Table WA-5 shows BOW's distribution of small business loans by GAR in Washington. Table WA-6 shows BOW's percentage of lending to businesses with GAR of \$1 million or less in each AA, compared to the D&B data and aggregate lending levels for that AA.

<b>Table WA-5 – Small Business Loan Borrower Profile</b>						
<b>GARs</b>	<b>2013 D&amp;B</b>	<b>2012 Aggregate Data</b>	<b>2012 Bank</b>		<b>2013 Bank</b>	
	<b>%</b>	<b>%</b>	<b>#</b>	<b>%</b>	<b>#</b>	<b>%</b>
≤ \$1 Million	66.0	38.1	50	69.4	48	60.0
> \$1 Million	4.2		19	26.4	27	33.8
Not Reported	29.8		3	4.2	5	6.2
<b>Total</b>	<b>100.0</b>		<b>72</b>	<b>100.0</b>	<b>80</b>	<b>100.0</b>
<i>Source: 2013 D&amp;B Data, 2012 CRA Aggregate Data, 2012 and 2013 CRA LR</i>						

<b>Table WA-6 – Small Business Penetration Rate By AA</b>						
<b>AA</b>	<b>2013 D&amp;B</b>	<b>2012 Aggregate Data</b>	<b>2012 Bank</b>		<b>2013 Bank</b>	
	<b>%</b>	<b>%</b>	<b>#</b>	<b>%</b>	<b>#</b>	<b>%</b>
Kennewick MSA	69.7	38.1	33	71.7	24	55.8
Seattle MD	65.1	38.9	0	0.0	4	66.7
Yakima MSA	70.2	27.5	11	68.8	6	50.0
Washington Non-MSA	72.9	43.9	6	66.7	14	73.7
<i>Source: 2013 D&amp;B Data, 2012 CRA Aggregate Data, 2012 and 2013 CRA LR</i>						

Table WA-5 reflects BOW's strong penetration in the small business market as 69.4 percent of BOW small business loans in Washington were made to businesses with GAR of \$1 million or less, compared to 38.1 percent for all lenders. In 2013, the bank's performance slightly declined to 60.0 percent and is slightly below D&B data.

Table WA-6 shows that the bank outperformed the aggregate data in 2012 in every AA except the Seattle MD. The single BOW office in the Seattle MD opened December 2012; therefore, no small business loans were made in 2012 in the Seattle MD. The 66.7 percent penetration rate in 2013 in Seattle reflects well against D&B data. BOW's performance in 2013 generally compares favorably with the D&B data. BOW's level of lending to small businesses is reflected in the large number of very small business loans under \$100,000 noted on the 2012 and 2013 CRA LR. The relatively high percentage of micro-loans may be attributable to BOW's products such as the BusinessLink loans and lines.

## HMDA Loans

The distribution of LMI borrowers reflects good penetration among retail customers of different income levels. Table WA-7 reflects BOW's distribution of HMDA loans by borrower income in the combined Washington AAs. Tables WA-8 and WA-9 provide a further delineation of the bank's performance for each individual AA.

<b>Table WA-7 – HMDA Loan Borrower Profile</b>						
<b>Borrower Income Level</b>	<b>2010 Census Families</b>	<b>2012 Aggregate Data</b>	<b>2012 Bank</b>		<b>2013 Bank</b>	
	<b>%</b>	<b>%</b>	<b>#</b>	<b>%</b>	<b>#</b>	<b>%</b>
Low	21.2	5.4	6	8.5	3	6.8
Moderate	16.9	14.3	15	21.1	5	11.4
Middle	20.3	22.0	16	22.5	14	31.8
Upper	41.6	47.5	27	38.0	20	40.5
Not Reported	0.0	10.8	7	9.9	2	4.5
<b>Total</b>	<b>100.0</b>	<b>100.0</b>	<b>71</b>	<b>100.0</b>	<b>44</b>	<b>100.0</b>
<i>Source: 2010 U.S. Census, 2012 Aggregate Data, and 2012 and 2013 HMDA LARs</i>						

<b>Table WA-8 – Low-Income Borrower Penetration Rate By AA</b>						
<b>AA</b>	<b>2010 Census Families</b>	<b>2012 Aggregate Data</b>	<b>2012 Bank</b>		<b>2013 Bank</b>	
	<b>%</b>	<b>%</b>	<b>#</b>	<b>%</b>	<b>#</b>	<b>%</b>
Kennewick MSA	21.9	7.3	5	11.6	3	12.5
Seattle MD	21.0	5.2	0	0.0	0	0.0
Yakima MSA	22.4	4.9	0	0.0	0	0.0
Washington Non-MSA	17.7	2.4	1	7.1	0	0.0
<i>Source: 2010 U.S. Census, 2012 Aggregate Data, and 2012 and 2013 HMDA LARs</i>						

<b>Table WA-9 – Moderate-Income Borrower Penetration Rate By AA</b>						
<b>AA</b>	<b>2010 Census Families</b>	<b>2012 Aggregate Data</b>	<b>2012 Bank</b>		<b>2013 Bank</b>	
	<b>%</b>	<b>%</b>	<b>#</b>	<b>%</b>	<b>#</b>	<b>%</b>
Kennewick MSA	17.5	17.1	10	23.3	4	16.7
Seattle MD	16.8	14.1	0	0.0	1	25.0
Yakima MSA	16.9	13.4	0	0.0	0	0.0
Washington Non-MSA	16.4	10.6	5	35.7	0	0.0
<i>Source: 2010 U.S. Census, 2012 Aggregate Data, and 2012 and 2013 HMDA LARs</i>						

Table WA-7 shows that in 2012, BOW's originated 8.5 percent of its HMDA loans to low-income borrowers and 21.1 percent to moderate-income borrowers. These lending levels were both above the aggregate data. In 2013, BOW's lending levels slightly declined and is below the

percentage of LMI families; however, demographic data does not take into account the intent or ability of LMI families to borrow. Tables WA-8 and WA-9 show that bank's performance in each AA. The bank's performance in the Yakima MSA and Seattle MD AAs is weaker than the statewide analysis.

### **Geographic Distribution**

BOW's geographic distribution of loans reflects excellent penetration throughout the Washington AAs, especially in small business lending.

### **Small Business Loans**

The geographic distribution of small business loans reflects excellent penetration throughout the Washington AAs. Table WA-10 provides the distribution of BOW's small business loans originated in 2012 and 2013, compared to the aggregate and D&B data, as applicable. Tables WA-11 and WA-12 (on the following page) provide further delineation for LMI CTs for each AA.

<b>Table WA-10 – Small Business Loan Geographic Distribution</b>						
<b>CT Income Level</b>	<b>2013 D&amp;B</b>	<b>2012 Aggregate Data</b>	<b>2012 Bank</b>		<b>2013 Bank</b>	
	<b>%</b>	<b>%</b>	<b>#</b>	<b>%</b>	<b>#</b>	<b>%</b>
Low	6.3	5.1	8	11.1	8	10.0
Moderate	15.7	15.2	28	38.9	20	25.0
Middle	40.6	41.1	22	30.6	39	48.8
Upper	37.3	35.4	14	19.4	13	16.2
N/A	0.1	3.2	0	0.0	0	0.0
<b>Total</b>	<b>100.0</b>	<b>100.0</b>	<b>72</b>	<b>100.0</b>	<b>80</b>	<b>100.0</b>
<i>Source: 2013 D&amp;B, 2012 Aggregate Data, and 2012, 2013 CRA LRs</i>						

<b>Table WA-11 – Small Business Low-Income CT Penetration</b>						
<b>AA</b>	<b>2013 D&amp;B</b>	<b>2012 Aggregate Data</b>	<b>2012 Bank</b>		<b>2013 Bank</b>	
	<b>%</b>	<b>%</b>	<b>#</b>	<b>%</b>	<b>#</b>	<b>%</b>
Kennewick MSA	6.6	4.7	2	4.4	8	18.6
Seattle MD	6.3	5.1	1	100.0	0	0.0
Yakima MSA	7.4	6.6	5	31.2	0	0.0
Washington Non-MSA	0.0	0.0	0	0.0	0	0.0
<i>Source: 2013 D&amp;B, 2012 Aggregate Data, and 2012, 2013 CRA LRs</i>						



<b>Table WA-12 – Small Business Moderate-Income CT Penetration</b>						
AA	2013 D&B	2012 Aggregate Data	2012 Bank		2013 Bank	
	%	%	#	%	#	%
Kennewick MSA	25.3	26.7	25	54.3	15	34.9
Seattle MD	13.8	13.9	0	0.0	1	16.7
Yakima MSA	27.4	20.7	3	18.8	3	25.0
Washington Non-MSA	3.8	3.4	0	0.0	1	5.3
<i>Source: 2013 D&amp;B, 2012 Aggregate Data, and 2012, 2013 CRA LRs</i>						

Table WA-10 shows that BOW has provided an excellent level of lending in LMI areas. In 2012, BOW's LMI lending performance significantly exceeds the aggregate data. In 2013, the performance declined, but the percentages were still relatively high and greater than the D&B data. Tables WA-11 and WA-12 show the penetration rates in LMI CTs in each AA. The bank's performance in each AA is generally consistent with the statewide analysis.

#### HMDA Loans

The geographic distribution of HMDA loans reflects excellent penetration throughout the Washington AA. Table WA-13 provides the number and percentage of BOW loans in 2012 and 2013, compared to the number of owner-occupied housing units and aggregate lending levels from all lenders. Tables WA-14 and WA-15 provides further delineation on BOW's performance in LMI areas for each AA.

<b>Table WA-13 – HMDA Loan Geographic Distribution</b>						
CT Income Level	Owner-Occupied Housing Units	2012 Aggregate Data	2012 Bank		2013 Bank	
	%	%	#	%	#	%
Low	2.4	1.8	2	2.8	1	2.3
Moderate	15.7	11.7	17	23.9	8	18.2
Middle	41.1	41.3	24	33.8	17	38.6
Upper	40.8	45.2	28	39.4	18	40.9
N/A	0.0	0.0	-	0.0	-	0.0
<b>Total</b>	<b>100.0</b>	<b>100.0</b>	<b>71</b>	<b>100.0</b>	<b>44</b>	<b>100.0</b>
<i>Source: 2010 U.S. Census, 2012 HMDA Aggregate Data, 2012 and 2013 HMDA LARs</i>						

**Table WA-14 – HMDA Low-Income CT Penetration By AA**

AA	Owner-Occupied Housing Units	2012 Aggregate Data	2012 Bank		2013 Bank	
	%	%	#	%	#	%
Kennewick MSA	4.3	2.3	1	2.3	0	0.0
Seattle MD	2.3	1.9	0	0.0	0	0.0
Yakima MSA	1.3	1.0	1	14.3	1	16.7
Washington Non-MSA	0.0	0.0	0	0.0	0	0.0
<i>Source: 2010 U.S. Census, 2012 HMDA Aggregate Data, 2012 and 2013 HMDA LARs</i>						

**Table WA-15 – HMDA Moderate-Income CT Penetration By AA**

AA	Owner-Occupied Housing Units	2012 Aggregate Data	2012 Bank		2013 Bank	
	%	%	#	%	#	%
Kennewick MSA	20.1	14.8	15	34.9	7	29.2
Seattle MD	13.3	11.0	1	14.3	1	25.0
Yakima MSA	25.2	14.4	1	14.3	0	0.0
Washington Non-MSA	6.3	7.1	0	0.0	0	0.0
<i>Source: 2010 U.S. Census, 2012 HMDA Aggregate Data, 2012 and 2013 HMDA LARs</i>						

BOW has significantly improved its lending performance in Washington, compared to the previous evaluation. Table WA-13 shows that the bank's 2012 HMDA loans in LMI areas were above the aggregate data, with particularly strong performance in its lending in moderate-income areas. In 2013, the bank's lending performance in low-income CTs remained fairly stable and was comparable with the demographic data, while its moderate-income CT lending declined and was higher than the demographic data. Tables WA-14 and WA-15 show the penetration rates in LMI CTs in each AA. The bank's performance in each AA is generally consistent with the statewide analysis. However, the Washington Non-MSA AA does not have any low-income CTs and had no lending in its moderate-income CTs.

### **Record of Serving the Credit Needs of Highly Economically Disadvantaged**

BOW exhibits a good record of serving the credit needs of the most economically disadvantaged areas of its Washington AAs, low-income individuals, and very small businesses, consistent with safe and sound banking practices.

### **CD Loans**

BOW originated a relatively high level of CD loans in the Washington AA. BOW has deposits of \$215.9 million as of June 30, 2013, representing 0.3 percent of all deposits in the Washington AA. BOW's deposit market rank is 24 of 57 FDIC-insured institutions in Washington. Given this market position, BOW's ability to generate \$29.4 million in CD loans out of 7 offices reflects

well against other institutions with similar market levels. It also represents a significant increase from the 5 CD loans totaling \$14.3 million reported at the previous evaluation. Table WA-16 provides information on the number, amount, type, and location of CD loans in Washington during the evaluation period.

Table WA-16 – CD Lending												
Assessment Area	Total		Affordable Housing		Community Services		Economic Development		Revitalization or Stabilization		Neighborhood Stabilization	
	#	\$ (000)	#	\$(000)	#	\$(000)	#	\$(000)	#	\$(000)	#	\$(000)
<b>2011</b>												
Kennewick MSA	5	9,864	0	0	0	0	3	3,864	2	6,000	0	0
Seattle MD	2	3,700	0	0	0	0	0	0	2	3,700	0	0
Yakima MSA	0	0	0	0	0	0	0	0	0	0	0	0
Washington Non-MSA	0	0	0	0	0	0	0	0	0	0	0	0
<b>Total WA - 2011</b>	<b>7</b>	<b>13,564</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>3</b>	<b>3,864</b>	<b>4</b>	<b>9,700</b>	<b>0</b>	<b>0</b>
<b>2012</b>												
Kennewick MSA	1	4,000	0	0	0	0	0	0	1	4,000	0	0
Seattle MD	0	0	0	0	0	0	0	0	0	0	0	0
Yakima MSA	3	6,938	1	2,238	0	0	0	0	2	4,700	0	0
Washington Non-MSA	0	0	0	0	0	0	0	0	0	0	0	0
<b>Total WA - 2012</b>	<b>4</b>	<b>10,938</b>	<b>1</b>	<b>2,238</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>3</b>	<b>8,700</b>	<b>0</b>	<b>0</b>
<b>2013</b>												
Kennewick MSA	1	2,000	0	0	0	0	0	0	1	2,000	0	0
Seattle MD	0	0	0	0	0	0	0	0	0	0	0	0
Yakima MSA	1	2,500	0	0	0	0	0	0	1	2,500	0	0
Washington Non-MSA	2	420	2	420	0	0	0	0	0	0	0	0
<b>Total WA – 2013</b>	<b>4</b>	<b>4,920</b>	<b>2</b>	<b>420</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>2</b>	<b>4,500</b>	<b>0</b>	<b>0</b>
<b>Grand Total</b>	<b>15</b>	<b>29,422</b>	<b>3</b>	<b>2,658</b>	<b>0</b>	<b>0</b>	<b>3</b>	<b>3,864</b>	<b>9</b>	<b>22,900</b>	<b>0</b>	<b>0</b>
Source: Bank records												

Below are representative examples of BOW's CD lending in Washington:

- BOW originated a \$3.0 million loan to a community-owned utility company in the Kennewick MSA AA that serves an area with a high-level of LMI individuals and high poverty rate.
- BOW originated 2 lines totaling \$3.7 million to fund expansion of a ranch in the Yakima MSA AA that will create and retain jobs.
- BOW provided \$2.2 million for a 78-unit, rental-assistance approved, and multi-family dwelling in the Yakima MSA AA.

## INVESTMENT TEST

BOW is rated Low Satisfactory in the Washington Investment Test. BOW made no new investments in Washington during the evaluation period. BOW has 9 investments purchased prior to the previous evaluation consisting of 8 LIHTCs and 1 Washington State Housing Finance Commission Bond, with a combined book value of \$2.7 million. At the previous evaluation, the bank had \$4.7 million in investments and \$8,000 in donations and grants. BOW's investments of \$2.7 million and donations of \$43,000 reflect an adequate level of qualified CD investments and grants, although rarely in a leadership position, particularly those not routinely provided by private investors. BOW exhibits poor responsiveness to credit and CD needs with no investments since the previous evaluation and only 1 investment purchased for \$240,000 in the last 8 years. The institution makes occasional use of innovative and/or complex investments to support CD initiatives.

Table WA-17 provides information on the type, amount, and location of CD donations made in Washington during the evaluation period.

Table WA-17 – CD Donations												
Assessment Area	Total		Affordable Housing		Community Services		Economic Development		Revitalization or Stabilization		Neighborhood Stabilization	
	#	\$ (000)	#	\$(000)	#	\$(000)	#	\$(000)	#	\$(000)	#	\$(000)
<b>2011</b>												
Kennewick MSA	4	10	0	0	4	10	0	0	0	0	0	0
Seattle MD	0	0	0	0	0	0	0	0	0	0	0	0
Yakima MSA	2	3	0	0	1	1	1	2	0	0	0	0
Washington Non-MSA	0	0	0	0	0	0	0	0	0	0	0	0
<b>Total WA - 2011</b>	<b>6</b>	<b>13</b>	<b>0</b>	<b>0</b>	<b>5</b>	<b>11</b>	<b>1</b>	<b>2</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>2012</b>												
Kennewick MSA	7	16	0	0	7	16	0	0	0	0	0	0
Seattle MD	0	0	0	0	0	0	0	0	0	0	0	0
Yakima MSA	3	7	0	0	2	2	1	5	0	0	0	0
Washington Non-MSA	2	3	0	0	0	0	2	3	0	0	0	0
<b>Total WA - 2012</b>	<b>12</b>	<b>26</b>	<b>0</b>	<b>0</b>	<b>9</b>	<b>18</b>	<b>3</b>	<b>8</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>2013</b>												
Kennewick MSA	1	10	0	0	1	3	0	0	0	1	0	0
Seattle MD	0	0	0	0	0	0	0	0	0	0	0	0
Yakima MSA	1	1	0	0	1	1	0	0	0	1	0	0
Washington Non-MSA	0	0	0	0	0	0	0	0	0	0	0	0
<b>Total WA – 2013</b>	<b>2</b>	<b>4</b>	<b>0</b>	<b>0</b>	<b>2</b>	<b>4</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>2</b>	<b>0</b>	<b>0</b>
<b>Grand Total</b>	<b>20</b>	<b>43</b>	<b>0</b>	<b>0</b>	<b>16</b>	<b>33</b>	<b>4</b>	<b>10</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
Source: Bank records												

## SERVICE TEST

BOW is rated Low Satisfactory in the Washington Service Test. Delivery systems are accessible to essentially all portions of BOW's AAs and services do not vary in a way that inconveniences portions of the AAs. BOW's record of opening and closing branches has generally not adversely affected the accessibility of its delivery systems. However, BOW provides a limited level of CD services.

### Reasonableness of Business Hours and Services

Services (including where appropriate, business hours) do not vary in a way that inconveniences portions of the AA, particularly LMI geographies and individuals. Variances in services and hours are negligible. All branches offer a full array of loan and deposit products. All branches offer ATMs, and the only branch with extended Saturday hours is in a moderate-income area.

### Accessibility of Delivery Systems

Delivery systems are accessible to essentially all portions of the institutions AA. BOW has three of seven branches, or 42.8 percent, in LMI areas, compared to 30.1 percent of all institutions in the Washington AA. A review of branch maps reveals that the four offices in the Kennewick MSA AA are accessible to all LMI areas in the MSA. One of the four BOW branches is in a low-income area. A second branch is in a moderate-income area. Three of the four branches are in or surround all three low-income areas and most of the moderate-income areas in the MSA. Maps also reveal the BOW Yakima branch is in a low-income area and serves other LMI areas in the MSA. The Seattle MD and Washington Non-MSA branches (one each) are located in the primary business centers for those AAs and are reasonably accessible to essentially all portions of the AA.

Table WA-18 provides further detail on all BOW branches and ATMs in Washington, compared to the percentage of branches of all other institutions and demographic data.

Table WA-18 – Branch Structure					
Branch and ATM Distribution	CT Income Level				
	Low	Moderate	Middle	Upper	Total
Number of Branches as of March 3, 2014	2	1	2	2	7
Percentage of Branches	28.6	14.2	28.6	28.6	100.0
Number of ATMs as of March 3, 2014	2	1	2	3	8
Percentage of ATMs	25.0	12.5	25.0	37.5	100.0
<b>Comparisons</b>					
Percentage of Branches - All Institutions	10.0	20.1	42.2	27.7	100.0
Percentage of Households	5.6	19.2	42.4	32.8	100.0
Percentage of Families	4.6	19.4	40.8	35.2	100.0
Percentage of Businesses	6.3	15.7	40.7	37.3	100.0
<i>Source: Bank records, 2010 U.S. Census, 2013 D&amp;B</i>					

Table WA-19 provides further delineation of BOW branches in LMI areas in each AA compared to all other institution branches.

<b>Table WA-19 – LMI CT Branch Distribution</b>				
<b>AA</b>	<b>Low-Income CTs</b>		<b>Moderate-Income CTs</b>	
	<b>Bank (%)</b>	<b>Aggregate (%)</b>	<b>Bank (%)</b>	<b>Aggregate (%)</b>
Kennewick MSA	25.0	6.9	25.0	26.4
Seattle MD	0.0	9.4	0.0	18.2
Yakima MSA	100.0	18.9	0.0	29.7
Washington Non-MSA	0.0	0.0	0.0	0.0
<i>Source: Bank records, 2012 Peer Deposit Data</i>				

### **Changes in Branch Locations**

Since the previous evaluation, BOW has opened one branch and closed one branch. In December 2012, the bank opened a new office in an upper-income downtown Seattle CT, BOW's first branch in King County, within the Seattle MD AA. In January 2014, BOW closed one of its five branches in Benton County, within the Kennewick MSA AA. The branch was located in a moderate-income CT. Other nearby BOW branches continue to service all LMI areas previously serviced by the closed branch. To the extent changes have been made, the institution's opening and closing of branches has generally not adversely affected the accessibility of its delivery systems, particularly in LMI geographies and/or to LMI individuals.

### **CD Services**

BOW has provided a limited level of CD services in Washington. The single office in Kittitas County in the Washington Non-MSA AA accounts for 50 of the 86 service hours reported. The 4 offices in the Kennewick MSA only reported 32 hours, or less than 3 hours per branch per year. In 2013, the Seattle and Yakima branches also reported few, if any, hours. Other institutions, with the same market presence and resources provide significantly higher levels of services.

Table WA-20 provides delineation of BOW CD services in Washington by year, AA, and by the number of type of services provided.

Table WA-20 – CD Services												
Assessment Area	Total		Affordable Housing		Community Services		Economic Development		Revitalization or Stabilization		Neighborhood Stabilization	
	#	Hours	#	Hours	#	Hours	#	Hours	#	Hours	#	Hours
<b>2011</b>												
Kennewick MSA	4	7	0	0	4	7	0	0	0	0	0	0
Seattle MD	0	0	0	0	0	0	0	0	0	0	0	0
Yakima MSA	0	0	0	0	0	0	0	0	0	0	0	0
Washington Non-MSA	4	8	0	0	0	0	4	8	0	0	0	0
<b>Total WA - 2011</b>	<b>8</b>	<b>15</b>	<b>0</b>	<b>0</b>	<b>4</b>	<b>7</b>	<b>4</b>	<b>8</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>2012</b>												
Kennewick MSA	5	11	0	0	5	11	0	0	0	0	0	0
Seattle MD	0	0	0	0	0	0	0	0	0	0	0	0
Yakima MSA	1	2	0	0	0	0	1	2	0	0	0	0
Washington Non-MSA	12	30	0	0	0	0	12	30	0	0	0	0
<b>Total WA - 2012</b>	<b>18</b>	<b>43</b>	<b>0</b>	<b>0</b>	<b>5</b>	<b>11</b>	<b>13</b>	<b>32</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>2013</b>												
Kennewick MSA	4	14	0	0	4	14	0	0	0	0	0	0
Seattle MD	0	0	0	0	0	0	0	0	0	0	0	0
Yakima MSA	1	2	0	0	0	0	1	2	0	0	0	0
Washington Non-MSA	6	12	0	0	3	6	3	6	0	0	0	0
<b>Total WA - 2013</b>	<b>11</b>	<b>28</b>	<b>0</b>	<b>0</b>	<b>7</b>	<b>20</b>	<b>4</b>	<b>8</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Grand Total</b>	<b>37</b>	<b>86</b>	<b>0</b>	<b>0</b>	<b>16</b>	<b>38</b>	<b>21</b>	<b>48</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
Source: Bank records												

# KENNEWICK MSA FULL-SCOPE EVALUATION

## SCOPE OF EXAMINATION

Examiners conducted a full-scope, off-site review of the Kennewick MSA AA.

## DESCRIPTION OF THE KENNEWICK-RICHLAND-PASCO MSA ASSESSMENT AREA

The Kennewick MSA AA includes Benton and Franklin Counties. The Kennewick MSA is BOW's largest market presence in Washington, where four of the state's seven offices are located. Table WA-21 details the demographics of the AA.

Table WA-21 – Demographic Information for Kennewick AA						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA % of #
CTs	50	6.0	26.0	32.0	32.0	4.0
Population by CT Income Level	253,340	9.5	25.1	34.9	30.5	0.0
Owner-Occupied Housing Units by CT Income Level	57,531	4.3	20.1	36.2	39.3	0.1
Businesses by CT Income Level	18,021	6.6	25.3	32.6	35.2	0.3
Families by Income Level	60,076	21.9	17.4	20.0	40.7	0.0
Families by CT Income Level	60,076	7.6	22.5	35.5	34.4	0.0
Median Family Income		\$63,929	Median Housing Value		\$161,247	
FFIEC Adjusted Median Family Income for 2009		\$67,800				
Households Below Poverty Level		13.0%				
Source: 2010 U.S. Census Data, 2013 D&B Data						

According to Moody's Analytics, the Kennewick MSA economy is driven by the Hanford Nuclear Reservation. Due to the reservation, government, professional, and business services (contractors) represent 38.6 percent of all employment in the MSA. Kennewick's economy has improved since the previous evaluation, but not as fast as other western locations.

Unemployment has improved from 8.7 percent in December 2011 to 7.9 percent in December 2013, which lags both the U.S. and Washington unemployment levels. The housing market has improved from the 2009 and 2010 levels, but not to the degree as the national and state levels. Housing permits increased 26.6 percent in 2012, but declined in 2013.



## **PERFORMANCE TEST CONCLUSIONS**

### **LENDING TEST**

The Kennewick MSA AA full-scope evaluation provides in-depth review of the borrower profile and geographic distribution components of the Lending Test for small business and HMDA loans. Data and tables from the Washington State analysis are heavily relied upon.

#### **Borrower Profile**

BOW's distribution of borrowers in the Kennewick MSA AA reflects, given the product lines offered by the institution, excellent penetration among retail customers of different income levels and business customers of different revenue sizes. This conclusion is consistent with statewide performance.

#### **Small Business Loans**

The bank has excellent penetration in the Kennewick MSA AA. In 2012, 71.7 percent of loans were to small businesses earning GARs of \$1 million or less, compared to the aggregate data of 38.1 percent. In 2013, BOW's loan performance declined to 55.8 percent and lags the number of businesses with GAR under \$1 million.

#### **HMDA Loans**

The bank has excellent penetration in the Kennewick MSA AA. In 2012, 11.6 percent of HMDA loans were made to low-income borrowers, compared to the aggregate data of 7.3 percent. In 2013, BOW continued the high level of low-income borrower lending at 12.5 percent. In 2012, BOW made 23.3 percent of its HMDA loans to moderate-income borrowers, compared to the aggregate data of 17.1 percent. In 2013, the bank's lending to moderate-income borrowers declined to 16.7 percent, but it was still comparable to the demographic data.

#### **Geographic Distribution**

BOW's overall distribution of loans reflects excellent penetration throughout the Kennewick MSA AA.

#### **Small Business Loans**

The geographic distribution of small business loans reflects excellent penetration throughout the Kennewick MSA AA. BOW made 4.4 percent of its small business loans in low-income areas compared to 4.7 percent for the aggregate lenders. In 2013, BOW's performance significantly increased to 18.6 percent and was substantially above the D&B data. In 2012, BOW made 54.3 percent of its small business loans in moderate-income areas, compared to the aggregate data of 26.7 percent. In 2013, BOW's loan performance declined to 34.9 percent, but it was still materially higher than the D&B data.

### HMDA Loans

The geographic distribution of residential loans reflects good penetration throughout the Kennewick MSA AA. The low-income CTs have limited housing as only 4.3 percent of the owner-occupied homes are in these areas. Therefore, the low percentage of units makes it difficult to analyze BOW's performance. Moderate-income CTs include 20.1 percent of the owner-occupied housing stock. In 2012, BOW's loan performance of 34.9 in moderate-income areas is significantly higher than the aggregate data of 14.8 percent. In 2013, the bank's performance of 29.2 percent declined slightly, but it is still higher than the demographic data.

### **INVESTMENT TEST**

BOW's Investment Test performance in this AA is consistent with the institution's Investment Test performance in the state.

### **SERVICE TEST**

BOW's Service Test performance in this AA is consistent with the institution's Service Test performance in the state.

## **Limited-Scope AA Evaluations**

Data applicable to the limited-scope AAs indicates that performance is consistent with the institution's performance in the state. Demographic data regarding limited-scope AAs is located in Appendix F.

# UTAH

*The Lending Test is rated:*                      *High Satisfactory*  
*The Investment Test is rated:*                *High Satisfactory*  
*The Service Test is rated:*                      *Low Satisfactory*

BOW's Utah CRA Rating is **Satisfactory**.

## SCOPE OF EXAMINATION AND DESCRIPTION OF OPERATIONS

Examiners conducted a full-scope, off-site evaluation of the bank's performance in the Salt Lake City-Ogden CSA AA. This CSA area is comprised of portions of both the Salt Lake City MSA and Ogden-Clearfield MSA. Examiners separately analyzed all performance criteria in each of the MSA areas; however, BOW's performance is presented as the Salt Lake City-Ogden CSA AA. No anomalies were identified and demographic and economic data for each MSA area is separately detailed under the Description of the Utah AA section below. Examiners conducted an off-site, limited-scope review of the Utah Non-MSA AA. A review of FDIC records and the bank's CRA public file revealed no CRA complaints since the previous evaluation in this area. BOW operates five branches within Utah. Refer to the Service Test portion of this evaluation for details regarding BOW's delivery systems and any changes that occurred over the review period.

## DESCRIPTION OF THE UTAH ASSESSMENT AREA

Table UT-1 details the counties that comprise the Utah AAs.

Table UT-1 – AA Composition, Branches, and ATMs					
AA	MSA or MD	MSA or MD #	Counties	Branches	ATMs
Salt Lake City-Ogden CSA	Salt Lake City MSA, Ogden-Clearfield MSA	41620, 36260	Davis, Salt Lake	5	5
Utah Non-MSA	N/A	99999	Wasatch	0	0
<b>Statewide</b>			<b>Total Branches/ATMs</b>	<b>5</b>	<b>5</b>
<i>Source: Bank records</i>					

Table UT-2 reflects the demographics of the combined Utah AAs.

Table UT-2 – Demographic Information						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA % of #
CTs	269	4.8	19.7	45.4	29.4	0.7
Population by CT Income Level	1,351,050	3.7	18.5	49.0	28.5	0.3
Owner-Occupied Housing Units by CT Income Level	304,278	1.9	14.4	51.2	32.5	0.0
Businesses by CT Income Level	136,517	3.8	18.6	43.2	34.0	0.4
Families by Income Level	313,695	17.3	18.7	23.4	40.6	0.0
Families by CT Income Level	313,695	3.2	17.8	49.0	30.0	0.0
Median Family Income		65,904	Median Housing Value		\$247,879	
HUD Adjusted Median Family Income for 2013		68,314				
Households Below Poverty Level		9.0%				
Source: 2010 U.S. Census Data, 2013 D&B Data						

According to the U.S. BLS, as of January 2014, the unemployment rate for Utah was 4.2 percent, while the nationwide unemployment rate was 7.0 percent. According to Utah.gov, the average rate of nonfarm employment is trending upward since its fall in 2009 and 2010. The statewide second quarter 2013 average monthly wage is \$3,341. The statewide highest monthly wages are earned in the management, mining, and utilities industries. The highest average employment is in the retail trade, health care and social assistance, and manufacturing sectors. According to Utah.gov, some of the largest employers in BOW's combined Utah AAs include Hill Air Force Base (Davis County), Davis County School District (Davis County), Intermountain Healthcare (Salt Lake County), University of Utah (Salt Lake County), and State of Utah (Salt Lake County). According to the same source, the largest employer in Wasatch County is Wasatch School District; however, the employer size is much smaller than the largest employers in Davis and Salt Lake Counties.

### Community Contact Observations

A number of previously conducted community contacts were reviewed and comments included for the combined Utah AAs. One of the contacts stated that the economy continues to improve. One contact stated there are many CD opportunities; however, there are a large number of financial institutions in the area that provides for good competition. The contact stated that the area has an adequate low-income housing market. Another contact stated that the primary credit need is funding for LMI individuals. One contact stated that there are vacant properties and some blighted areas within the city. This contact stated that many businesses are in need of small micro loans less than \$25,000. All contacts stated that local financial institutions are meeting the overall credit needs of the area and have positive comments regarding these institutions. Overall, examiners determined that primary credit needs are home mortgage loans for LMI individuals and small business loans.

## STATEWIDE PERFORMANCE TEST CONCLUSIONS

### LENDING TEST

BOW is rated High Satisfactory in the Lending Test. Small business lending performance is given the most weight, followed by HMDA lending due to lending volume. Small farm loans were not reviewed as there were no loans originated during the evaluation period.

#### Lending Activity

Overall, BOW's lending levels reflect good responsiveness to AA credit needs. Examiners reviewed the number and dollar volume of loans originated over the review period, as well as market share and market ranking figures for primary loan products to determine the bank's level of lending relative to AA credit needs.

In 2012 and 2013, the bank originated 86 HMDA loans totaling \$32.6 million and 141 small business loans totaling \$31.8 million.

Table UT-3 and UT-4 detail BOW's loan market ranking and market shares during 2012 by loan type in the combined Utah AAs and each individual AA. Aggregate small business and HMDA data is not yet available for 2013. The greatest weight is given to small business loans based upon the total market share.

#### Small Business Loans

Table UT-3 – Small Business Loan and Deposit Market Shares			
AA	2012		Deposit Market Share %
	Rank (\$)	Market Share %	
All Utah AAs Combined	11 of 76	1.6	0.0
Salt Lake City-Ogden CSA	11 of 75	1.6	0.0
Utah Non-MSA	16 of 25	0.7	4.4
Source: 2012 CRA Aggregate Data and June 2013 FDIC Summary of Deposits			

Examiners reviewed small business loan market share and market ranking data based on dollar volume of loans. BOW's business lending levels reflect a good responsiveness to AA credit needs as BOW ranked a favorable 11<sup>th</sup> of 76 reporting lenders in 2012.

## HMDA Loans

<b>Table UT-4 – HMDA Loan Market Share</b>		
<b>AA</b>	<b>2012</b>	
	<b>Rank (#)</b>	<b>Market Share %</b>
All Utah AAs Combined	116 of 332	0.0
Salt Lake City-Ogden CSA	117 of 323	0.0
Utah Non-MSA	62 of 117	0.2
<i>Source: 2012 HMDA Aggregate Data</i>		

Examiners reviewed HMDA loan market share and market ranking data. BOW's HMDA lending levels reflect an adequate responsiveness to AA credit needs in this saturated industry. BOW ranked 116<sup>th</sup> of 332 reporting lenders in 2012.

## **Borrower Profile**

The distribution of borrowers reflects, given the product lines offered by the institution, good penetration among business customers of different revenue sizes and retail customers of different income levels.

## **Small Business Loans**

The distribution of borrowers reflects good penetration among business customers of different revenue sizes. Table UT-5 shows BOW's distribution of small business loans by GARs in the combined Utah AAs. The 2012, loan performance of 57.6 percent significantly exceeds the aggregate data. Additionally, the 2013 loan penetration rate slightly increased, but is lower than the demographic data.

<b>Table UT-5 – Small Business Loan Borrower Profile</b>						
<b>GARs</b>	<b>2013 D&amp;B</b>	<b>2012 Aggregate Data</b>	<b>2012 Bank</b>		<b>2013 Bank</b>	
	<b>%</b>		<b>#</b>	<b>%</b>	<b>#</b>	<b>%</b>
≤ \$1 Million	71.4	36.9	38	57.6	45	60.0
> \$1 Million	3.9		24	36.4	28	37.3
Not Reported	24.7		4	6.0	2	2.7
<b>Total</b>	<b>100.0</b>		<b>66</b>	<b>100.0</b>	<b>75</b>	<b>100.0</b>
<i>Source: 2013 D&amp;B, 2012 CRA Aggregate Data, 2012 and 2013 CRA LR's</i>						

Table UT-6 presents the rate of lending to businesses with GARs of \$1 million or less by AAs in Utah. The bank's performance in each AA is generally consistent with the statewide analysis.

<b>Table UT-6 – Small Business Penetration Rate By AA</b>						
AA	2013 D&B	2012 Aggregate Data	2012 Bank		2013 Bank	
	%	%	#	%	#	%
Salt Lake City-Ogden CSA	71.3	36.8	34	55.7	45	60.0
Utah Non-MSA	74.3	43.0	4	80.0	0	0.0
<i>Source: 2013 D&amp;B, 2012 CRA Aggregate Data, 2012 and 2013 CRA LRs</i>						

### HMDA Loans

The distribution of borrowers reflects adequate penetration among retail customers of different income levels. Table UT-7 on the following page shows BOW's distribution of HMDA loans by borrower income in the combined Utah AAs. In 2012, the bank's lending to low-income borrowers' lags the aggregate data; however, the bank's lending to moderate-income borrowers is comparable to aggregate data. In 2013, the bank's lending to low-income borrowers increased; however, it is still lower than the demographic data. In 2013, the bank's lending to moderate-income borrowers declined and remains lower than the demographic data.

<b>Table UT-7 – HMDA Loan Borrower Profile</b>						
Borrower Income Level	2010 Census Families	2012 Aggregate Data	2012 Bank		2013 Bank	
	%	%	#	%	#	%
Low	17.3	7.6	1	2.5	3	6.5
Moderate	18.7	19.1	7	17.5	5	10.9
Middle	23.4	21.0	8	20.0	7	15.2
Upper	40.6	29.7	19	47.5	26	56.5
Not Reported	0.0	22.6	5	12.5	5	10.9
<b>Total</b>	<b>100.0</b>	<b>100.0</b>	<b>40</b>	<b>100.0</b>	<b>46</b>	<b>100.0</b>
<i>Source: 2010 U.S. Census, 2012 HMDA Aggregate Data, and 2012, 2013 HMDA LARs</i>						

Tables UT-8 and UT-9 show BOW's loan penetration rates for LMI borrowers in each AA in Utah. According to Table UT-8, the 2012 loan penetration rate of 2.6 percent to low-income borrowers lags the aggregate data in the Salt Lake City-Ogden CSA AA. However, the bank's loan penetration ratio to low-income borrowers trended upward in 2013, but remains lower than the demographic data. The penetration rate to low-income borrowers in the Non-MSA AA was weaker in 2012, but stronger in 2013.

According to Table UT-9, the 2012 loan penetration rate of 18.4 percent to moderate-income borrowers is comparable to the aggregate data in the Salt Lake City-Ogden CSA AA. However, in 2013, the bank's loan penetration ratio to moderate-income borrowers declined and is lower than the demographic data. The penetration rate to moderate-income borrowers in the Non-MSA AA is weaker than the statewide conclusions.

<b>Table UT-8 –Low-Income Borrower Penetration Rate By AA</b>						
AA	2010 Census Families	2012 Aggregate Data	2012 Bank		2013 Bank	
	%	%	#	%	#	%
Salt Lake City-Ogden CSA	17.4	7.6	1	2.6	2	4.6
Utah Non-MSA	10.2	3.6	0	0.0	1	50.0
<i>Source: 2010 U.S. Census, 2012 Aggregate Data, and 2012, 2013 HMDA LARs</i>						

<b>Table UT-9 –Moderate-Income Borrower Penetration Rate By AA</b>						
AA	2010 Census Families	2012 Aggregate Data	2012 Bank		2013 Bank	
	%	%	#	%	#	%
Salt Lake City-Ogden CSA	18.8	19.3	7	18.4	5	11.4
Utah Non-MSA	11.6	11.1	0	0.0	0	0.0
<i>Source: 2010 U.S. Census, 2012 HMDA Aggregate Data, 2012 and 2013 HMDA LARs</i>						

The reason for the mixed performance in Utah is based upon the fact that their overall branch presence in the state is much lower than their competitors. Also, there are a significant number of competitors operating within just five miles of BOW's branches in Salt Lake City, Utah. Finally, HMDA lending is not the primary business focus for the bank in Utah.

### **Geographic Distribution**

The geographic distribution of loans in Utah reflects adequate penetration throughout the AAs.

### **Small Business Loans**

The geographic distribution of small business loans reflects adequate penetration throughout the combined Utah AAs. Table UT-10 on the following page shows the distribution of small business loans by the income category of CTs within the combined Utah AAs. In 2012, BOW did not originate any loans in low-income CTs, while the aggregate data shows 4.1 percent of loans originated in these tracts. In 2013, BOW's loan performance in low-income CTs improved and is higher than the D&B data. In 2012, the bank's lending in moderate-income CTs is lower than the aggregate data; however, in 2013, the bank's loan performance improved significantly to 28.0 percent and is higher than the D&B data.



<b>Table UT-10 – Small Business Loan Geographic Distribution</b>						
<b>CT Income Level</b>	<b>2013 D&amp;B</b>	<b>2012 Aggregate Data</b>	<b>2012 Bank</b>		<b>2013 Bank</b>	
	<b>%</b>	<b>%</b>	<b>#</b>	<b>%</b>	<b>#</b>	<b>%</b>
Low	3.8	4.1	0	0.0	5	6.7
Moderate	18.6	19.8	8	12.1	21	28.0
Middle	43.2	41.7	42	63.7	28	37.3
Upper	34.0	31.1	16	24.2	20	26.7
N/A	0.4	3.3	0	0.0	1	1.3
<b>Total</b>	<b>100.0</b>	<b>100.0</b>	<b>66</b>	<b>100.0</b>	<b>75</b>	<b>100.0</b>
<i>Source: 2013 D&amp;B, 2012 CRA Aggregate Data, 2012 and 2013 CRA LRs</i>						

As shown in Tables UT-11 and UT-12, the Utah Non-MSA AA does not have any LMI CTs, so this AA was not evaluated under this criterion. Both tables show BOW's small business loan penetration in LMI CTs in the Salt Lake City-Ogden CSA AA. The performance in the LMI tracts in the Salt Lake City-Ogden CSA AA is consistent with the combined Utah AA performance.

<b>Table UT-11 – Small Business Low-Income CT Penetration By AA</b>						
<b>AA</b>	<b>2013 D&amp;B</b>	<b>2012 Aggregate Data</b>	<b>2012 Bank</b>		<b>2013 Bank</b>	
	<b>%</b>	<b>%</b>	<b>#</b>	<b>%</b>	<b>#</b>	<b>%</b>
Salt Lake City-Ogden CSA	3.9	4.2	0	0.0	5	6.7
Utah Non-MSA	0.0	0.0	0	0.0	0	0.0
<i>Source: 2013 D&amp;B, 2012 CRA Aggregate Data, 2012 and 2013 CRA LRs</i>						

<b>Table UT-12 – Small Business Moderate-Income CT Penetration By AA</b>						
<b>AA</b>	<b>2013 D&amp;B</b>	<b>2012 Aggregate Data</b>	<b>2012 Bank</b>		<b>2013 Bank</b>	
	<b>%</b>	<b>%</b>	<b>#</b>	<b>%</b>	<b>#</b>	<b>%</b>
Salt Lake City-Ogden CSA	18.8	20.2	8	13.1	21	28.0
Utah Non-MSA	0.0	0.0	0	0.0	0	0.0
<i>Source: 2013 D&amp;B, 2012 CRA Aggregate Data, 2012 and 2013 CRA LRs</i>						

### HMDA Loans

The geographic distribution of HMDA loans reflects adequate penetration throughout the combined Utah AAs. Table UT-13 on the following page shows the distribution of HMDA loans by the income category of CTs within these AAs. In 2012, BOW's loan performance in low-income CTs is above the aggregate data. In 2013, BOW's loan performance in low-income CTs is slightly higher than the demographic data. BOW's 2012 lending in moderate-income CTs is

generally comparable to the aggregate data. However, in 2013, BOW's loan performance in moderate-income CTs improved and is comparable to the demographic data.

<b>Table UT-13 – HMDA Loan Geographic Distribution</b>						
<b>CT Income Level</b>	<b>Owner-Occupied Housing Units</b>	<b>2012 Aggregate Data</b>	<b>2012 Bank</b>		<b>2013 Bank</b>	
	<b>%</b>	<b>%</b>	<b>#</b>	<b>%</b>	<b>#</b>	<b>%</b>
Low	1.9	1.5	2	5.0	1	2.2
Moderate	14.4	11.9	4	10.0	6	13.0
Middle	51.2	50.6	15	37.5	17	37.0
Upper	32.5	36.0	19	47.5	22	47.8
N/A	0.0	0.0	0	0.0	0	0.0
<b>Total</b>	<b>100.0</b>	<b>100.0</b>	<b>40</b>	<b>100.0</b>	<b>46</b>	<b>100.0</b>
<i>Source: 2010 U.S. Census, 2012 HMDA Aggregate Data, 2012 and 2013 HMDA LARs</i>						

Tables UT-14 and UT-15 show BOW's HMDA loan penetration in LMI CTs in the Salt Lake City-Ogden CSA AA. As previously stated, there are no LMI tracts within the Utah Non-MSA AA. The loan performance in the LMI tracts in the Salt Lake City-Ogden CSA AA is consistent with the combined Utah AA performance.

<b>Table UT-14 – HMDA Low-Income CT Penetration By AA</b>						
<b>AA</b>	<b>Owner-Occupied Housing Units</b>	<b>2012 Aggregate Data</b>	<b>2012 Bank</b>		<b>2013 Bank</b>	
	<b>%</b>	<b>%</b>	<b>#</b>	<b>%</b>	<b>#</b>	<b>%</b>
Salt Lake City-Ogden CSA	1.9	1.5	2	5.3	1	2.3
Utah Non-MSA	0.0	0.0	0	0.0	0	0.0
<i>Source: 2010 U.S. Census, 2012 HMDA Aggregate Data, 2012 and 2013 HMDA LARs</i>						

<b>Table UT-15 – HMDA Moderate-Income CT Penetration By AA</b>						
<b>AA</b>	<b>Owner-Occupied Housing Units</b>	<b>2012 Aggregate Data</b>	<b>2012 Bank</b>		<b>2013 Bank</b>	
	<b>%</b>	<b>%</b>	<b>#</b>	<b>%</b>	<b>#</b>	<b>%</b>
Salt Lake City-Ogden CSA	14.6	12.0	4	10.5	6	13.6
Utah Non-MSA	0.0	0.0	0	0.0	0	0.0
<i>Source: 2010 U.S. Census, 2012 HMDA Aggregate Data, 2012 and 2013 HMDA LARs</i>						

## **Record of Serving the Credit Needs of Highly Economically Disadvantaged**

BOW exhibits a good record of serving the credit needs of the most economically disadvantaged areas of its combined Utah AAs, low-income individuals, and very small businesses, consistent with safe and sound banking practices.

### **CD Loans**

BOW is a leader in making CD loans in the combined Utah AAs relative to its position in the state as the 33<sup>rd</sup> largest bank in the combined Utah AAs. The bank has a market share of less than one percent in the combined Utah AAs where 50 institutions are operating, the top 10 of which have a combined market share of over 85.0 percent. The bank originated 5 CD loans totaling \$81.8 million since the previous evaluation. This represents 2.9 percent of the total dollar volume of the bank's CD lending activity, which is higher than the percentage of branches the bank operates in the AAs at 0.8 percent. When adjusted for the difference in examination periods, the dollar volume of loans substantially increased. Specifically, the bank originated 2 CD loans totaling \$2.1 million during the previous evaluation. Additionally, BOW significantly improved its CD loan to deposit ratio at 52.6 percent. When compared to a peer institution for the CAAs with a slightly lower branch presence, BOW originated a lower number of CD loans, but a substantially higher (over six times) dollar amount of CD loans. BOW's CD lending in the combined Utah AAs was concentrated in CD lending dollars to revitalize or stabilize LMI tracts and the remaining lending was for economic development.

Table UT-16 – CD Lending												
Assessment Area	Total		Affordable Housing		Community Services		Economic Development		Revitalization or Stabilization		Neighborhood Stabilization	
2011	#	\$ (000)	#	\$(000)	#	\$(000)	#	\$(000)	#	\$(000)	#	\$(000)
Salt Lake City CSA	2	26,169	0	0	0	0	0	0	2	26,169	0	0
Utah Non-MSA	0	0	0	0	0	0	0	0	0	0	0	0
Total UT – 2011	2	26,169	0	0	0	0	0	0	2	26,169	0	0
2012												
Salt Lake City CSA	2	53,000	0	0	0	0	0	0	2	53,000	0	0
Utah Non-MSA	0	0	0	0	0	0	0	0	0	0	0	0
Total UT – 2012	2	53,000	0	0	0	0	0	0	2	53,000	0	0
2013												
Salt Lake City CSA	1	2,645	0	0	0	0	1	2,645	0	0	0	0
Utah Non-MSA	0	0	0	0	0	0	0	0	0	0	0	0
Total UT – 2013	1	2,645	0	0	0	0	1	2,645	0	0	0	0
Grand Total	5	81,814	0	0	0	0	1	2,645	4	79,169	0	0
Source: Bank records												

Representative examples of BOW's CD lending include:

- BOW originated a \$25 million loan to support working capital for a company located in a low-income geography. This loan will assist in continuing to revitalize and stabilize this geography and retain permanent jobs and create new jobs for LMI residents.
- BOW originated a \$1.2 million loan to refinance debt for a company located in a low-income geography. This loan will assist in continuing to revitalize and stabilize this geography and retain permanent jobs and create new jobs for LMI residents.

## INVESTMENT TEST

BOW's Investment Test rating is High Satisfactory. The bank has a significant level of qualified CD investments and grants, occasionally in a leadership position, particularly those that are not routinely provided by private investors. BOW's investments exhibit a good responsiveness to credit and community economic needs of the combined Utah AAs. The bank occasionally uses innovative or complex investments to support CD initiatives. When compared to a peer institution for the CAAs, with a slightly lower branch presence, BOW's qualified investment activity by dollar volume is higher.

BOW purchased 1 new qualifying investment totaling \$2.6 million. This LIHTC investment directly benefits the Utah Non-MSA AA, of which examiners conducted a limited-scope review. BOW holds 3 qualifying prior period investments totaling \$921,868 that directly benefit Utah's AAs. These prior period qualifying investments were LIHTCs. Additionally, BOW made 33 qualifying donations totaling approximately \$66,500. BOW has increased its level of qualifying investments and donations in the combined Utah AAs since the previous evaluation. CD donations specifically benefiting the Salt Lake City-Ogden CSA AA and Utah Non-MSA AA are detailed in Table UT-17.

<b>Table UT-17 – CD Donations</b>												
<b>Assessment Area</b>	<b>Total</b>		<b>Affordable Housing</b>		<b>Community Services</b>		<b>Economic Development</b>		<b>Revitalization or Stabilization</b>		<b>Neighborhood Stabilization</b>	
	<b>#</b>	<b>\$ (000)</b>	<b>#</b>	<b>\$ (000)</b>	<b>#</b>	<b>\$ (000)</b>	<b>#</b>	<b>\$ (000)</b>	<b>#</b>	<b>\$ (000)</b>	<b>#</b>	<b>\$ (000)</b>
<b>2011</b>												
Salt Lake City CSA	5	11	1	3	4	8	0	0	0	0	0	0
Utah Non-MSA	1	2	1	2	0	0	0	0	0	0	0	0
<b>Total UT - 2011</b>	<b>6</b>	<b>12</b>	<b>2</b>	<b>4</b>	<b>4</b>	<b>8</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>2012</b>												
Salt Lake City CSA	14	29	1	3	11	20	1	5	1	2	0	0
Utah Non-MSA	1	1	0	0	1	1	0	0	0	0	0	0
<b>Total UT - 2012</b>	<b>15</b>	<b>30</b>	<b>1</b>	<b>3</b>	<b>12</b>	<b>21</b>	<b>1</b>	<b>5</b>	<b>1</b>	<b>2</b>	<b>0</b>	<b>0</b>
<b>2013</b>												
Salt Lake City CSA	10	22	1	3	7	13	2	6	0	0	0	0
Utah Non-MSA	2	3	0	0	2	3	0	0	0	0	0	0
<b>Total UT - 2013</b>	<b>12</b>	<b>25</b>	<b>1</b>	<b>3</b>	<b>9</b>	<b>16</b>	<b>2</b>	<b>6</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Grand Total</b>	<b>33</b>	<b>67</b>	<b>4</b>	<b>9</b>	<b>25</b>	<b>45</b>	<b>3</b>	<b>11</b>	<b>1</b>	<b>2</b>	<b>0</b>	<b>0</b>
<i>Source: Bank records</i>												

Representative examples of donations made by BOW in Utah include:

- BOW donated \$5,000 to an organizations fund that provides management assistance and funding to new and existing small businesses that are not able to access traditional sources of funding.
- BOW provided \$2,000 to support a vocational training program for LMI individuals teaching them the proper workplace skills and behavior for employment.

## SERVICE TEST

BOW is rated Low Satisfactory in the Utah Service Test. Services do not vary in a way that inconveniences certain portions of the combined Utah AAs, particularly LMI geographies and individuals. Delivery systems are accessible to essentially all portions of the Utah AA. BOW provided an adequate level of CD services over the review period. Overall, BOW's record of opening and closing branches has not adversely affected the accessibility of its delivery systems.

### **Reasonableness of Business Hours and Services**

Services do not vary in a way that inconveniences certain portions of the Utah AA, particularly LMI geographies and individuals. Business hours at each branch are consistent for the most part, including offering Saturday hours. ATM machines are offered at every branch.

### **Accessibility of Delivery Systems**

Delivery systems are accessible to essentially all portions of the combined Utah AAs. BOW operates five branches in the combined Utah AAs, of which all are in the Salt Lake City-Ogden CSA AA. Eight other banks operate more comprehensive branch structures out of the 50 institutions operating in the AA. A review of maps revealed that essentially all portions of the AA are reasonably accessible to the bank's branches.

Tables UT-18 and UT-19 (on the following page) evaluate the branch structure in the same manner as presented in the previous states.

<b>Table UT-18 – Branch Structure</b>						
<b>Branch and ATM Distribution</b>	<b>CT Income Level</b>					
	<b>Low</b>	<b>Moderate</b>	<b>Middle</b>	<b>Upper</b>	<b>N/A</b>	<b>Total</b>
Number of Branches as of March 3, 2014	0	2	2	1	0	5
Percentage of Branches	0.0	40.0	40.0	20.0	0.0	100.0
Number of ATMs as of March 3, 2014	0	2	2	1	0	5
Percentage of ATMs	0.0	40.0	40.0	20.0	0.0	100.0
<b>Comparisons</b>						
Percentage of Branches - All Institutions	7.4	25.3	45.8	20.5	1.0	100.0
Percentage of Households	4.5	20.5	48.5	25.5	0.0	100.0
Percentage of Families	3.2	17.8	49.0	30.0	0.0	100.0
Percentage of Businesses	3.8	18.6	43.2	34.0	0.0	100.0
<i>Source: Bank records, 2010 U.S. Census, 2013 D&amp;B</i>						

BOW does not operate any branches in low-income tracts; however, it operates two branches in moderate-income tracts. Compared to the competition and the percentage of household, family, and business demographics of the AA, BOW's branch penetration in moderate-income areas is reasonable. Since the previous evaluation, the bank closed two branches in upper-income tracts, but these closures did not adversely impact businesses and residents of LMI areas. The bank's branches located in middle- and upper-income tracts are adjacent to LMI areas.

According to Table UT-19, the bank's performance in the Salt Lake City-Ogden CSA AA mirrors the statewide conclusion.

<b>Table UT-19 – LMI CT Branch Distribution</b>				
<b>AA</b>	<b>Low-Income CTs</b>		<b>Moderate-Income CTs</b>	
	<b>Bank (%)</b>	<b>Aggregate (%)</b>	<b>Bank (%)</b>	<b>Aggregate (%)</b>
Salt Lake City CSA	0.0	7.5	40.0	25.8
Utah Non-MSA	0.0	0.0	0.0	0.0
<i>Source: Bank records, 2012 Peer Deposit Data</i>				

### **Changes in Branch Locations**

BOW's record of opening and closing branches has not adversely affected the accessibility of its delivery systems. In 2013, BOW closed the Copper Hills, full-service branch in Riverton, Utah (upper-income tract). In January 2014, BOW closed the Heber, full-service branch in Heber City, Utah (upper-income tract). The branch closed in Heber City, Utah was the only branch in the Utah Non-MSA AA. However, the branch was closed in 2014 and examiners still evaluated the bank's performance within this AA under limited-scope procedures.

### **CD Services**

BOW provides an adequate level of CD services in Utah as depicted in Table UT-20 on the following page. Over the review period, 10 different BOW employees provided 111 hours of qualified community services to 5 different organizations or entities. Since the previous evaluation, BOW has significantly improved its level of CD services in Utah, as no CD services were provided at the previous evaluation. However, no CD services were provided in the Utah Non-MSA AA, while BOW had operated one branch in this AA until January 2014, when this branch was closed. When compared to a peer institution for the CAAs, with a slightly lower branch presence, BOW's level of CD services is lower both by number of activities and amount of hours.

Table UT-20 – CD Services												
AA	Total		Affordable Housing		Community Services		Economic Development		Revitalization or Stabilization		Neighborhood Stabilization	
	#	Hours	#	Hours	#	Hours	#	Hours	#	Hours	#	Hours
<b>2011</b>												
Salt Lake City CSA	1	25	0	0	1	25	0	0	0	0	0	0
Utah Non-MSA	0	0	0	0	0	0	0	0	0	0	0	0
<b>Total UT - 2011</b>	<b>1</b>	<b>25</b>	<b>0</b>	<b>0</b>	<b>1</b>	<b>25</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>2012</b>												
Salt Lake City CSA	1	20	0	0	1	20	0	0	0	0	0	0
Utah Non-MSA	0	0	0	0	0	0	0	0	0	0	0	0
<b>Total UT - 2012</b>	<b>1</b>	<b>20</b>	<b>0</b>	<b>0</b>	<b>1</b>	<b>20</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>2013</b>												
Salt Lake City CSA	9	66	0	0	9	66	0	0	0	0	0	0
Utah Non-MSA	0	0	0	0	0	0	0	0	0	0	0	0
<b>Total UT – 2013</b>	<b>9</b>	<b>66</b>	<b>0</b>	<b>0</b>	<b>9</b>	<b>66</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Grand Total</b>	<b>11</b>	<b>111</b>	<b>0</b>	<b>0</b>	<b>11</b>	<b>111</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<i>Source: Bank records</i>												

An example of a service provided by BOW in Utah is noted below:

- Employees served on the board of a non-profit organization located in a moderate-income geography, which provides job training and career development for LMI youth.

## SALT LAKE CITY-OGDEN CSA FULL-SCOPE EVALUATION

### SCOPE OF EXAMINATION

Examiners conducted a full-scope, off-site review of the Salt Lake City-Ogden CSA AA.



## DESCRIPTION OF THE SALT LAKE CITY-OGDEN CSA ASSESSMENT AREA

The counties that comprise this AA are detailed in the statewide description. Table UT-21 reflects the demographics of the AA.

Table UT-21 – Demographic Information for Salt Lake City-Ogden CSA AA						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA % of #
CTs	266	4.9	19.9	45.5	28.9	0.8
Population by CT Income Level	1,336,134	3.7	18.7	49.3	28.0	0.3
Owner-Occupied Housing Units by CT Income Level	300,616	1.9	14.6	51.5	32.0	0.0
Businesses by CT Income Level	134,531	3.9	18.8	43.4	33.5	0.4
Families by Income Level	309,805	17.4	18.8	23.4	40.4	0.0
Families by CT Income Level	309,805	3.2	18.0	49.3	29.5	0.0
Median Family Income		68,014				
HUD Adjusted Median Family Income for 2013		70,455				
Households Below Poverty Level		9.0%				
Source: 2010 U.S. Census Data, 2013 D&B Data						

According to BLS, as of January 2014, the unemployment rate for the Salt Lake City MSA and Ogden-Clearfield MSA were 4.0 percent and 4.4 percent, respectively. These MSA areas comprise the Salt Lake City-Ogden, Utah CSA. According to Utah.gov, and similar to the statewide data previously mentioned, the average rate of nonfarm employment for both Salt Lake County (part of Salt Lake City MSA) and Davis County (part of Ogden-Clearfield MSA) has been trending upward since its fall in 2009 and 2010. The second quarter 2013 average monthly wage is \$3,746 and \$3,191, for Salt Lake County and Davis County, respectively. For Salt Lake County, the highest average monthly wage is earned in the mining industry at \$7,528. For Davis County, the highest average monthly wage is earned in the utilities industry at \$4,826. Largest employers in Davis and Salt Lake County were previously mentioned in the statewide Utah section of this evaluation.

## **PERFORMANCE TEST CONCLUSIONS**

### **LENDING TEST**

A more in-depth borrower profile and geographic distribution review of loans originated in the AA is presented below. Other Lending Test criteria are fully described in the Lending Test section of the CAA and statewide performance test conclusions. The greatest weight was given to the bank's small business lending performance and then HMDA lending based upon the number of loans originated. Small farm lending performance was not evaluated because there were no loans originated within this AA during the review period. Data supporting the ratings is presented in the statewide performance test conclusions section.

#### **Borrower Profile**

BOW's distribution of borrowers in the Salt Lake City-Ogden CSA AA reflects, given the product lines offered by the institution, good penetration among business customers of different revenue sizes and retail customers of different income levels. This conclusion is consistent with statewide performance.

#### **Small Business Loans**

The bank has good penetration in the Salt Lake City-Ogden CSA AA. In 2012, 55.7 percent of loans were to businesses earning GARs of \$1 million or less, compared to the aggregate data of 36.8 percent. In 2013, the loan performance trended upward to 60.0 percent, but was below the D&B data.

#### **HMDA Loans**

The bank has adequate penetration to HMDA borrowers in the Salt Lake City-Ogden CSA AA. In 2012, the loan penetration of 2.6 percent lagged the aggregate data of 7.6 percent for low-income borrowers. However, the loan penetration for moderate-income borrowers of 18.4 percent is generally comparable to the aggregate data of 19.3 percent. In 2013, loan penetration for low-income borrowers improved, but remains below the demographic data. The loan penetration for moderate-income borrowers showed a downward trend and was below the demographic data.

#### **Geographic Distribution**

BOW's overall geographic distribution of loans is adequate. It is representative of the institutions performance in the state.

#### **Small Business Loans**

The geographic distribution of small business loans reflects adequate loan penetration in the Salt Lake City-Ogden CSA AA. In 2012, BOW did not originate any loans in low-income CTs, while the aggregate data shows 4.2 percent of loans originated in these tracts (Table UT-11). In

2013, BOW's loan performance in low-income CTs improved and is higher than the D&B data. In 2012, the bank's lending in moderate-income CTs is lower than the aggregate data; however, in 2013, the bank's loan performance improved significantly to 28.0 percent and is higher than the D&B data (Table UT-12).

#### HMDA Loans

The geographic distribution of HMDA loans reflects adequate loan penetration in the Salt Lake City-Ogden CSA AA. In 2012, BOW's loan performance in low-income CTs is above the aggregate data. In 2013, BOW's loan performance in low-income CTs is slightly higher than the demographic data (Table UT-14). BOW's 2012 lending in moderate-income CTs is generally comparable to the aggregate data. However, in 2013, BOW's loan performance in moderate-income CTs improved and is comparable to the demographic data (see Table UT-15).

#### **INVESTMENT TEST**

BOW's Investment Test performance in this AA is consistent with the institution's Investment Test performance in the state.

#### **SERVICE TEST**

BOW's Service Test performance in this AA is consistent with the institution's Service Test performance in the state.

### **Limited-Scope AA Evaluations**

Data applicable to the limited-scope AA indicates that performance is consistent with the institution's performance in the state. Demographic data regarding limited-scope AAs is located in Appendix F.

# **WISCONSIN**

*The Lending Test is rated:* **Low Satisfactory**  
*The Investment Test is rated:* **Low Satisfactory**  
*The Service Test is rated:* **Low Satisfactory**

BOW's Wisconsin CRA Rating is **Satisfactory**.

## **SCOPE OF EXAMINATION AND DESCRIPTION OF OPERATIONS**

Examiners conducted a full-scope, off-site evaluation of the bank's performance in Wisconsin Non-MSA AA. A review of FDIC records and the bank's CRA public file, revealed no CRA complaints since the previous evaluation in this area. BOW operates one branch in this AA. Refer to the Service Test portion of this evaluation for details regarding BOW's delivery systems and any changes that occurred over the review period.

## **DESCRIPTION OF THE WISCONSIN NON-MSA ASSESSMENT AREA**

Table WI-1 details the counties that comprise the Wisconsin Non-MSA AA.

<b>Table WI-1 – Wisconsin Non-MSA AA</b>					
<b>AA</b>	<b>MSA or MD</b>	<b>MSA or MD #</b>	<b>Counties</b>	<b>Branches</b>	<b>ATMs</b>
Wisconsin Non-MSA	Wisconsin Non-MSA	99999	Sawyer, Washburn	1	1
<b>Statewide</b>			<b>Total Branches/ATMs</b>	<b>1</b>	<b>1</b>
<i>Source: Bank records</i>					

Table WI-2 details the demographics of the Wisconsin Non-MSA AA.

<b>Table WI-2 – Demographic Information</b>						
<b>Demographic Characteristics</b>	<b>#</b>	<b>Low % of #</b>	<b>Moderate % of #</b>	<b>Middle % of #</b>	<b>Upper % of #</b>	<b>NA % of #</b>
CTs	11	0.0	45.5	54.5	0.0	0.0
Population by CT Income Level	32,468	0.0	40.0	60.0	0.0	0.0
Owner-Occupied Housing Units by CT Income Level	11,678	0.0	35.5	64.5	0.0	0.0
Businesses by CT Income Level	3,746	0.0	41.7	58.3	0.0	0.0
Families by Income Level	10,167	26.7	20.9	22.5	29.9	0.0
Families by CT Income Level	10,167	0.0	38.6	61.4	0.0	0.0
Median Family Income		57,384				
HUD Adjusted Median Family Income for 2013		58,600	Median Housing Value		\$161,780	
Households Below Poverty Level		16.0%				
<i>Source: 2010 U.S. Census Data, 2013 D&amp;B Data</i>						

According to Moody's Economy.com, Wisconsin's economy still trails the nation. Wisconsin's recovery has strengthened by accelerated hiring of positions in management and professional, scientific, and technical services. Also, key to the stronger performance is reflected in the increase of factory jobs during 2013. The boost to earnings is driving employment rates higher at restaurants and retail stores, as consumers spending increased in parallel. The number of foreclosures per 1,000 households is on par with of the Midwest rates, but is still higher than the national average. However, the gap is narrowing as the supplies empties more quickly, and home values are rising for the first time since 2008. Homebuilding is also showing signs of recovery, reflecting a positive sign for employment in the construction field. According to the U.S. BLS, as of January 2014, the unemployment rate for Wisconsin was 6.2 percent, while the nationwide unemployment rate was 7.0 percent. The top employers in the AA are Aurora Health Care Inc., Wheaton Franciscan Healthcare, and Wal-Mart Stores Inc.

### Community Contact Observations

The community contacts indicated that while economic conditions remain tight in some markets, there is some stabilization starting to occur. With fluctuating unemployment levels, some businesses have scaled back their operations, but there is still a demand for business and residential loans. The contacts noted that banks are meeting the credit needs of businesses and individuals in the AAs; however, credit standards continue to be somewhat tighter than in the past.

## **STATEWIDE PERFORMANCE TEST CONCLUSIONS**

### **LENDING TEST**

BOW's Lending Test performance is rated Low Satisfactory. The HMDA lending performance is given the most weight and then small business lending. BOW did not originate any small farm loans in Wisconsin and they were excluded from the review.

## Lending Activity

Overall, BOW's lending levels reflect good responsiveness to AA credit needs. Examiners reviewed the number and dollar volume of loans originated over the review period, as well as market share and market ranking figures for primary loan products to determine the bank's level of lending relative to AA credit needs. Table WI-3 details BOW's loan market ranking and market shares during 2012 by loan type in the Wisconsin Non-MSA AA. Aggregate small business and HMDA data is not yet available for 2013. The greatest consideration is given to HMDA loans.

In 2012 and 2013, the bank originated 40 residential mortgages totaling \$5.2 million and 12 small business loans totaling \$900,000.

### HMDA Loans

Table WI-3 details BOW's residential mortgage loan market ranking and market shares during 2012 by loan type in the Wisconsin Non-MSA AA.

<b>Table WI-3 – HMDA Loan Market Share</b>			
<b>AA</b>	<b>2012</b>		<b>Deposit Market Share %</b>
	<b>Rank (\$)</b>	<b>Market Share %</b>	
Wisconsin Non-MSA	13 of 205	1.2	10.7
<i>Source: 2012 CRA Aggregate Data and June 2013 FDIC Summary of Deposits</i>			

Examiners reviewed HMDA loan market share and market ranking data based on dollar volume rather than number of loans originated. BOW's HMDA lending levels also reflect good responsiveness to AA credit needs in this saturated industry. BOW ranked a favorable 13<sup>th</sup> of 204 reporting lenders in 2012.

### Small Business Loans

Table WI-4 details BOW's small business loan market ranking and market shares during 2012 by loan type in the Wisconsin Non-MSA AA.

<b>Table WI-4 – Small Business Loan and Deposit Market Shares</b>			
<b>AA</b>	<b>2012</b>		<b>Deposit Market Share %</b>
	<b>Rank (\$)</b>	<b>Market Share %</b>	
Wisconsin Non-MSA	7 of 29	1.8	10.3
<i>Source: 2012 CRA Aggregate Data and June 2013 FDIC Summary of Deposits</i>			

Examiners reviewed small business loan market share and market ranking data based on dollar volume rather than number of loans originated. Dollar volumes represent a more relevant comparison because market share data includes national credit card lenders. The credit card

lenders report numerous small dollar loans that skew the market share ranking based on number of loans originated. Credit card lenders do not provide traditional small business loans in the same manner as BOW and its local competitors. BOW's small business lending levels reflect good responsiveness to AA credit needs in the highly competitive banking environment. BOW ranked a favorable 7<sup>th</sup> of 29 reporting small business lenders in 2012.

### **Borrower Profile**

The distribution of borrowers in Wisconsin Non-MSA reflects, given the product lines offered by the institution, good penetration among retail customers of different income levels and business customers of different revenue sizes.

Table WI-5 details BOW's distribution of HMDA loans by borrower income in all Wisconsin Non-MSA.

<b>Table WI-5 - HMDA Loan Borrower Profile</b>						
<b>Borrower Income Level</b>	<b>2010 Census Families</b>	<b>2012 Aggregate Data</b>	<b>2012 Bank</b>		<b>2013 Bank</b>	
	<b>%</b>	<b>%</b>	<b>#</b>	<b>%</b>	<b>#</b>	<b>%</b>
Low	26.7	6.5	3	13.0	3	17.7
Moderate	20.9	13.2	5	21.8	3	17.7
Middle	22.5	18.4	9	39.1	5	29.4
Upper	29.9	56.0	6	26.1	5	29.4
Income Not Reported	0.0	5.9	0	0.0	1	5.8
<b>Total</b>	<b>100.0</b>	<b>100.0</b>	<b>23</b>	<b>100.0</b>	<b>17</b>	<b>100.0</b>
<i>Source: 2010 U.S. Census, 2012 HMDA Aggregate Data, 2012 and 2013 HMDA LARs</i>						

In 2012, the bank's lending shows good penetration to low-income borrowers (13.0 percent) and performance that exceeds the aggregate lending data (6.5 percent). In addition, lending to moderate-income borrowers (21.8 percent) substantially exceeds the aggregate lending data (13.2 percent).

In 2013, the bank's lending activity to low-income borrowers (17.7 percent) reflects an upward trend, but it is lower than the demographic data (26.7 percent). In 2013, lending to moderate-income borrowers (17.7 percent) reflected a downward trend, but it is still comparable to the demographic data (20.9 percent).

### **Small Business Loans**

The distribution of borrowers reflects, given the product lines offered, excellent penetration among businesses of different revenue sizes. Table WI-6 on the following page details BOW's distribution of small business loans by GAR in the Wisconsin Non-MSA AA. For comparison purposes, the table includes aggregate lending data as a percentage of the total number of loans and the percentage of the total number of businesses within the Wisconsin Non-MSA AA.

<b>Table WI-6 – Small Business Loan Borrower Profile</b>						
<b>Gross Annual Revenues</b>	<b>2013 D&amp;B</b>	<b>2012 Aggregate Data</b>	<b>2012 Bank</b>		<b>2013 Bank</b>	
	<b>%</b>	<b>%</b>	<b>#</b>	<b>%</b>	<b>#</b>	<b>%</b>
≤ \$1 Million	78.2	23.7	5	100.0	7	100.0
> \$1 Million	3.4		0	0	0	0
Not Applicable	18.4		0	0	0	0
<b>Total</b>	<b>100.0</b>		<b>5</b>	<b>100.0</b>	<b>7</b>	<b>100.0</b>
<i>Source: 2013 D&amp;B, 2012 Aggregate Data, 2012 and 2013 CRA LR's</i>						

The distribution of borrowers in the Wisconsin Non-MSA AA reflects an excellent penetration among business customers of different revenue sizes. In 2012, BOW originated all of its small business loans to businesses with GARs of \$1 million or less, which substantially exceeds the aggregate data (23.7 percent). In 2013, the bank's lending performance remained unchanged and was above the D&B data.

### **Geographic Distribution**

The geographic distribution of loans reflects adequate penetration throughout the AAs. There are no low-income CTs in the Wisconsin Non-MSA; therefore, the geographic distribution only analyzed the bank's performance in its moderate-income CTs.

### **HMDA Loans**

The geographic distribution of HMDA loans reflects an adequate penetration throughout the Wisconsin Non-MSA AA. Table WI-7 details BOW's geographic distribution for HMDA loans. For comparison purposes, aggregate lending data as a percentage of the total number of loans and the percentage of owner-occupied housing units are shown.

<b>Table WI-7 – HMDA Loan Geographic Distribution</b>						
<b>CT Income Level</b>	<b>Owner-Occupied Housing Units</b>	<b>2012 Aggregate Lending Data</b>	<b>2012 Bank</b>		<b>2013 Bank</b>	
	<b>%</b>	<b>%</b>	<b>#</b>	<b>%</b>	<b>#</b>	<b>%</b>
Low	0.0	0.0	0	0.0	0	0.0
Moderate	35.5	30.8	5	21.7	7	41.2
Middle	64.5	69.2	18	78.3	10	58.8
Upper	0.0	0.0	0	0.0	0	0.0
N/A	0.0	0.0	0	0.0	0	0.0
<b>Total</b>	<b>100.0</b>	<b>100.0</b>	<b>23</b>	<b>100.0</b>	<b>17</b>	<b>100.0</b>
<i>Source: 2010 U.S. Census, 2012 HMDA Aggregate Data, 2012 and 2013 HMDA LARs</i>						

In 2012, the bank's lending in moderate-income CTs (21.7 percent) by number of loans was lower than aggregate lending data. However, in 2013, the bank's lending in moderate-income



CTs (41.2 percent) trended upward and exceeded the percentages of owner-occupied housing units (35.5 percent).

### Small Business Loans

The geographic distribution of small business loans reflects an adequate penetration throughout the combined Wisconsin Non-MSA AA. Table WI-8 details BOW's geographic distribution for small business loans. For comparison purposes, the table includes aggregate lending data as a percentage of the total number of loans, and the percentage of total businesses within the Wisconsin Non-MSA AA.

<b>Table WI-8 – Small Business Loan Geographic Distribution</b>						
<b>CT Income Level</b>	<b>2013 D&amp;B</b>	<b>2012 Aggregate Data</b>	<b>2012 Bank</b>		<b>2013 Bank</b>	
	<b>%</b>	<b>%</b>	<b>#</b>	<b>%</b>	<b>#</b>	<b>%</b>
Low	0.0	0.0	0	0.0	0	0.0
Moderate	41.5	31.8	1	20.0	2	28.6
Middle	58.5	47.2	4	80.0	5	71.4
Upper	0.0	0.0	0	0.0	0	0.0
N/A	0.0	21.0	0	0.0	0	0.0
<b>Total</b>	<b>100.0</b>	<b>100.0</b>	<b>5</b>	<b>100.0</b>	<b>7</b>	<b>100.0</b>
<i>Source: 2013 D&amp;B, 2012 Aggregate Data, 2012 and 2013 CRA LR's</i>						

In 2012, the bank's lending in moderate-income CTs (20.0 percent) was lower than the aggregate lending data (31.8 percent). In 2013, the bank's lending in moderate-income CTs (28.6 percent) trended upward, but it was below the D&B data (41.5 percent).

### Record of Serving the Credit Needs of Highly Economically Disadvantaged

BOW exhibits a good record of serving the credit needs of the most economically disadvantaged areas, low-income individuals, and very small businesses, consistent with safe and sound banking practices.

### CD Loans

BOW has made an adequate level of CD loans in the Wisconsin AA relative to its position in the state as the 4th largest bank in the Wisconsin AA. The bank has a market share of 10.3 percent in its AA that contain 13 institutions, the top 3 of which have a combined market share of over 40 percent. The bank originated 2 CD loans totaling \$6 million since the previous evaluation. This represents 0.2 percent of the total dollar volume of the bank's CD lending activity, which is in line with the percentage of branches the bank operates in Wisconsin. Further, when adjusted for the difference in examination periods, the volume of loans showed a 70.0 percent decrease from the previous evaluation. Although CD lending in Wisconsin was very concentrated, both loans totaling \$6 million were in a distressed, middle-income, non-metropolitan tract that experienced significant population loss.

Table WI-9 – CD Lending												
AA	Total		Affordable Housing		Community Services		Economic Development		Revitalization or Stabilization		Neighborhood Stabilization	
	#	\$(000)	#	\$(000)	#	\$(000)	#	\$(000)	#	\$(000)	#	\$(000)
<b>2011</b>												
Wisconsin Non-MSA	0	0	0	0	0	0	0	0	0	0	0	0
<b>2012</b>												
Wisconsin Non-MSA	1	2,000	0	0	0	0	0	0	1	2,000	0	0
<b>2013</b>												
Wisconsin Non-MSA	1	4,000	0	0	0	0	0	0	1	4,000	0	0
<b>Grand Total</b>	<b>2</b>	<b>6,000</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>2</b>	<b>6,000</b>	<b>0</b>	<b>0</b>
<i>Source: Bank records</i>												

Table WI-9 details the bank's CD lending activity in Wisconsin. The following is a notable CD loan originated by BOW during the review period:

- A \$4.0 million project, originated in 2013 resides in an area designated by the regulatory interagencies as a distressed middle-income non-metropolitan tract due to population loss. The loan financed a business that employs over 1,000 individuals, which meets the essential community need of permanent job creation and retention.

## INVESTMENT TEST

BOW's Investment Test rating is Low Satisfactory. The bank has an adequate level of qualified CD investments and grants, although rarely in a leadership position, particularly those that are not routinely provided by private investors. BOW exhibits adequate responsiveness to credit and community economic needs of the AA. The bank rarely uses innovative or complex investments to support CD initiatives. The institution holds 2 qualified investments that were carried over from the previous evaluation. The bank did not originate any new investments during the review period. The bank reported \$33,200 in donations and grants, which is a significant increase from the \$6,000 reported at the previous evaluation. Qualified investments and donations covered the Wisconsin Non-MSA AA in a manner consistent with the bank's allocation of resources.

Table WI-10 details the bank's qualified donations by type and category in Wisconsin Non-MSA AA.

<b>Table WI-10 – CD Donations</b>												
<b>AA</b>	<b>Total</b>		<b>Affordable Housing</b>		<b>Community Services</b>		<b>Economic Development</b>		<b>Revitalization or Stabilization</b>		<b>Neighborhood Stabilization</b>	
	<b>#</b>	<b>\$(000)</b>	<b>#</b>	<b>\$(000)</b>	<b>#</b>	<b>\$(000)</b>	<b>#</b>	<b>\$(000)</b>	<b>#</b>	<b>\$(000)</b>	<b>#</b>	<b>\$(000)</b>
<b>2011</b>												
Wisconsin Non-MSA	5	12	2	6	3	6	0	0	0	0	0	0
<b>2012</b>												
Wisconsin Non-MSA	6	14	2	8	3	4	1	3	0	0	0	0
<b>2013</b>												
Wisconsin Non-MSA	5	8	2	2	2	3	1	3	0	0	0	0
<b>Grand Total</b>	<b>16</b>	<b>33</b>	<b>6</b>	<b>15</b>	<b>8</b>	<b>13</b>	<b>2</b>	<b>5</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<i>Source: Bank records</i>												

## SERVICE TEST

BOW is rated Low Satisfactory in the Wisconsin Service Test. Services do not vary in a way that inconveniences portions of the Wisconsin Non-MSA AA. Delivery systems are accessible to limited portions of the institution's AA. To the extent changes have been made, the institution's record of opening and closing branches has adversely affected the accessibility of its delivery systems, particularly in LMI geographies and to LMI individuals. The bank provided a relatively high level of CD services over the review period.

## Reasonableness of Business Hours and Services

Services do not vary in a way that inconveniences portions of the AAs, particularly LMI geographies or individuals. BOW operates one branch in the Wisconsin Non-MSA AA.

### **Accessibility of Delivery Systems**

Delivery systems are accessible to limited portions of the AA. Table WI-11 details the BOW's distribution of branches and ATMs, as well as the percentages of branches and demographic information in Wisconsin. BOW operates only one branch in the AA, which is located in a middle-income CT. Table WI-11 evaluates the Wisconsin Non-MSA AA branch in the same manner as presented in previous states.

<b>Table WI-11 – Branch Structure</b>						
<b>Branch and ATM Distribution</b>	<b>CT Income Level</b>					
	<b>Low</b>	<b>Moderate</b>	<b>Middle</b>	<b>Upper</b>	<b>NA</b>	<b>Total</b>
Number of Branches as of March 3, 2014	0	0	1	0	0	1
Percentage of Branches	0.0	0.0	100.0	0.0	0.0	100.0
Number of ATMs as of March 3, 2014	0	0	1	0	0	1
Percentage of ATMs	0.0	0.0	100.0	0.0	0.0	100.0
<b>Comparisons</b>						
Percentage of Branches - All Institutions	0.0	44.0	56.0	0.0	0.0	100.0
Percentage of Households	0.0	40.3	59.7	0.0	0.0	100.0
Percentage of Families	0.0	49.9	50.1	0.0	0.0	100.0
Percentage of Businesses	0.0	41.5	58.5	0.0	0.0	100.0
<i>Source: Bank records, 2010 U.S. Census, 2013 D&amp;B</i>						

There are no low-income CTs in the Wisconsin Non-MSA AA. Also, BOW does not operate a branch within or in close proximity to moderate-income geographies. The composition of the AA is fairly homogenous with only two moderate-income tracts and no low-income tracts.

### **Changes in Branch Locations**

To the extent changes have been made, the institution's record of opening and closing branches has adversely affected the accessibility of its delivery systems, particularly in LMI geographies and to LMI individuals. Since the last evaluation, BOW has closed two branches in Wisconsin. One of the two branch closures was located in a moderate-income CT. BOW did not open any branches in the state during the review period.

## **CD Services**

BOW provided a relatively high level of CD services in Wisconsin. The bank reported a significant increase by nearly 36.1 percent from the amount reported at the previous evaluation. During the review period, 64 BOW employees completed a total of 183 hours: 95 hours were for affordable housing and 88 hours were for CD services activities. Table WI-12 shows the total number, hours, and type of CD services within the Wisconsin Non-MSA AA.

<b>Table WI-12 – CD Services</b>												
<b>AA</b>	<b>Total</b>		<b>Affordable Housing</b>		<b>Community Services</b>		<b>Economic Development</b>		<b>Revitalization or Stabilization</b>		<b>Neighborhood Stabilization</b>	
	<b>#</b>	<b>Hours</b>	<b>#</b>	<b>Hours</b>	<b>#</b>	<b>Hours</b>	<b>#</b>	<b>Hours</b>	<b>#</b>	<b>Hours</b>	<b>#</b>	<b>Hours</b>
<b>2011</b>												
Wisconsin Non-MSA	15	34	0	0	15	34	0	0	0	0	0	0
<b>2012</b>												
Wisconsin Non-MSA	21	49	20	37	1	12	0	0	0	0	0	0
<b>2013</b>												
Wisconsin Non-MSA	28	100	23	58	5	42	0	0	0	0	0	0
<b>Grand Total</b>	<b>64</b>	<b>183</b>	<b>43</b>	<b>95</b>	<b>21</b>	<b>88</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<i>Source: Bank records</i>												

## APPENDIX A – SCOPE OF EXAMINATION

<b>BANK OF THE WEST</b>
<b>SCOPE OF EXAMINATION:</b> Full-scope, Large Bank CRA Evaluation Procedures
<b>TIME PERIOD REVIEWED:</b> Lending Test: January 1, 2012, through December 31, 2013 CD Loans: May 2, 2011, through December 31, 2013 Investment Test: May 2, 2011, through December 31, 2013 Services Test: May 2, 2011, through December 31, 2013
<b>PRODUCTS REVIEWED:</b> Small Business Loans, Small Farm Loans, HMDA Loans, and CD Loans

LIST OF AFFILIATES AND PRODUCTS REVIEWED		
AFFILIATE(S):	AFFILIATE RELATIONSHIP:	PRODUCTS REVIEWED:
First Hawaiian Bank	Affiliate Bank owned by BWE	None

LIST OF ASSESSMENT AREAS AND TYPE OF EXAMINATION			
ASSESSMENT AREA:	TYPE OF EXAMINATION:	BRANCHES VISITED:	OTHER INFORMATION:
<b>CALIFORNIA</b>			
San Jose-San Francisco-Oakland CSA	Full-scope On-site	1	NA
Los Angeles-Long Beach-Riverside CSA	Full-scope Off-site	0	NA
Bakersfield MSA	Limited-scope Off-site	0	NA
California Non-MSA	Limited-scope Off-site	0	NA
Chico MSA	Limited-scope Off-site	0	NA
Fresno MSA	Limited-scope Off-site	0	NA
Modesto MSA	Limited-scope Off-site	0	NA
Sacramento-Roseville CSA	Limited-scope Off-site	0	NA
Salinas MSA	Limited-scope Off-site	0	NA
San Diego MSA	Limited-scope Off-site	0	NA
Santa Barbara MSA	Limited-scope Off-site	0	NA
Visalia-Porterville-Hanford CSA	Limited-scope Off-site	0	NA
<b>COLORADO</b>			
Denver-Aurora-Boulder CSA	Full-scope Off-site	0	NA
Colorado Non-MSA	Limited-scope Off-site	0	NA
Fort Collins MSA	Limited-scope Off-site	0	NA
Grand Junction MSA	Limited-scope Off-site	0	NA
<b>IOWA</b>			
Des Moines MSA	Full-scope Off-site	0	NA
Ames MSA	Limited-scope Off-site	0	NA
Cedar Rapids CSA	Limited-scope Off-site	0	NA
Davenport-Moline-Rock Island MSA	Limited-scope Off-site	0	NA

Iowa Non-MSA	Limited-scope Off-site	0	NA
<b>MINNESOTA</b>			
Minnesota Non-MSA	Full-scope Off-site	0	NA
La Crosse MSA	Limited-scope Off-site	0	NA
Minneapolis-St. Paul-St. Cloud CSA	Limited-scope Off-site	0	NA
<b>OREGON</b>			
Portland MSA	Full-scope Off-site	0	NA
Oregon Non-MSA	Limited-scope Off-site	0	NA
Salem MSA	Limited-scope Off-site	0	NA
<b>OMAHA MULTI-STATE</b>	Full-scope Off-site	0	NA
<b>NEW MEXICO</b>			
Albuquerque MSA	Full-scope Off-site	0	NA
Las Cruces MSA	Limited-scope Off-site	0	NA
<b>NEBRASKA</b>			
Nebraska Non-MSA	Full-scope Off-site	0	NA
Lincoln MSA	Limited-scope Off-site	0	NA
Sioux City MSA	Limited-scope Off-site	0	NA
<b>KANSAS</b>			
Wichita MSA	Full-scope Off-site	0	NA
Kansas Non-MSA	Limited-scope Off-site	0	NA
<b>KANSAS CITY MULTI-STATE</b>	Full-scope Off-site	0	NA
<b>WYOMING</b>			
Wyoming Non-MSA	Full-scope Off-site	0	NA
Casper MSA	Limited-scope Off-site	0	NA
Cheyenne MSA	Limited-scope Off-site	0	NA
<b>ARIZONA</b>			
Phoenix MSA	Full-scope Off-site	0	NA
Arizona Non-MSA	Limited-scope Off-site	0	NA
Tucson MSA	Limited-scope Off-site	0	NA
Flagstaff MSA	Limited-scope Off-site	0	NA
Prescott MSA	Limited-scope Off-site	0	NA
<b>OKLAHOMA</b>			
Oklahoma Non-MSA	Full-scope Off-site	0	NA
Oklahoma City MSA	Limited-scope Off-site	0	NA
Tulsa MSA	Limited-scope Off-site	0	NA
<b>NEVADA</b>			
Las Vegas MSA	Full-scope Off-site	0	NA
Carson City MSA	Limited-scope Off-site	0	NA

Reno MSA	Limited-scope Off-site	0	NA
<b>SOUTH DAKOTA</b>			
South Dakota Non-MSA	Full-scope Off-site	0	NA
<b>IDAHO</b>			
Boise MSA	Full-scope Off-site	0	NA
Idaho Non-MSA	Limited-scope Off-site	0	NA
<b>NORTH DAKOTA</b>			
North Dakota Non-MSA	Full-scope Off-site	0	NA
Fargo MSA	Full-scope Off-site	0	NA
<b>WASHINGTON</b>			
Kennewick-Richland-Pasco MSA	Full-scope Off-site	0	NA
Seattle MD	Limited-scope Off-site	0	NA
Washington Non-MSA	Limited-scope Off-site	0	NA
Yakima MSA	Limited-scope Off-site	0	NA
<b>UTAH</b>			
Salt Lake City-Ogden CSA	Full-scope Off-site	0	NA
Utah Non-MSA	Limited-scope Off-site	0	NA
<b>WISCONSIN</b>			
Wisconsin Non-MSA	Full-scope Off-site	0	NA



## APPENDIX B - SUMMARY OF STATE AND MULTI-STATE MSA RATINGS

STATE OR MULTI-STATE MSA NAME:	LENDING TEST RATING:	INVESTMENT TEST RATING:	SERVICE TEST RATING:	OVERALL STATE OR MULTI-STATE RATING:
California	High Satisfactory	High Satisfactory	Low Satisfactory	Satisfactory
Colorado	High Satisfactory	Low Satisfactory	Low Satisfactory	Satisfactory
Iowa	High Satisfactory	Low Satisfactory	Low Satisfactory	Satisfactory
Minnesota	High Satisfactory	High Satisfactory	Low Satisfactory	Satisfactory
Oregon	Outstanding	High Satisfactory	Low Satisfactory	Satisfactory
Omaha Multi-State	Outstanding	High Satisfactory	Low Satisfactory	Satisfactory
New Mexico	High Satisfactory	Low Satisfactory	Low Satisfactory	Satisfactory
Nebraska	High Satisfactory	Outstanding	Low Satisfactory	Satisfactory
Kansas	High Satisfactory	Outstanding	Low Satisfactory	Satisfactory
Kansas City Multi-State	High Satisfactory	Low Satisfactory	Low Satisfactory	Satisfactory
Wyoming	High Satisfactory	High Satisfactory	Needs to Improve	Satisfactory
Arizona	High Satisfactory	High Satisfactory	Low Satisfactory	Satisfactory
Oklahoma	High Satisfactory	Outstanding	Low Satisfactory	Satisfactory
Nevada	Low Satisfactory	High Satisfactory	Needs to Improve	Satisfactory
South Dakota	Low Satisfactory	Low Satisfactory	Needs to Improve	Needs to Improve
Idaho	High Satisfactory	Low Satisfactory	Low Satisfactory	Satisfactory
North Dakota	High Satisfactory	Low Satisfactory	Low Satisfactory	Satisfactory
Washington	Outstanding	Low Satisfactory	Low Satisfactory	Satisfactory
Utah	High Satisfactory	High Satisfactory	Low Satisfactory	Satisfactory
Wisconsin	Low Satisfactory	Low Satisfactory	Low Satisfactory	Satisfactory

## APPENDIX C – GLOSSARY

**Aggregate lending:** The number of loans originated and purchased by all reporting lenders in specified income categories as a percentage of the aggregate number of loans originated and purchased by all reporting lenders in the metropolitan area/AA.

**CT:** A small subdivision of metropolitan and other densely populated counties. CT boundaries do not cross county lines; however, they may cross the boundaries of metropolitan statistical areas. CTs usually have between 2,500 and 8,000 persons, and their physical size varies widely depending upon population density. CTs are designed to be homogeneous with respect to population characteristics, economic status, and living conditions to allow for statistical comparisons.

**Community development:** All Agencies have adopted the following language. Affordable housing (including multifamily rental housing) for low- or moderate-income individuals; community services targeted to low- or moderate-income individuals; activities that promote economic development by financing businesses or farms that meet the size eligibility standards of the Small Business Administration's Development Company or Small Business Investment Company programs (13 CFR 121.301) or have gross annual revenues of \$1 million or less; or, activities that revitalize or stabilize low- or moderate-income geographies.

Effective September 1, 2005, the Board of Governors of the Federal Reserve System, Office of the Comptroller of the Currency, and the Federal Deposit Insurance Corporation have adopted the following additional language as part of the revitalize or stabilize definition of CD. Activities that revitalize or stabilize-

- (i) Low-or moderate-income geographies;
- (ii) Designated disaster areas; or
- (iii) Distressed or underserved nonmetropolitan middle-income geographies designated by the Board, Federal Deposit Insurance Corporation, and Office of the Comptroller of the Currency, based on-
  - a. Rates of poverty, unemployment, and population loss; or
  - b. Population size, density, and dispersion. Activities that revitalize and stabilize geographies designated based on population size, density, and dispersion if they help to meet essential community needs, including needs of low- and moderate-income individuals.

**Consumer loan(s):** A loan(s) to one or more individuals for household, family, or other personal expenditures. A consumer loan does not include a home mortgage, small business, or small farm loan. This definition includes the following categories: motor vehicle loans, credit card loans, home equity loans, other secured consumer loans, and other unsecured consumer loans.

**Family:** Includes a householder and one or more other persons living in the same household who are related to the householder by birth, marriage, or adoption. The number of family households always equals the number of families; however, a family household may also include non-relatives living with the family. Families are classified by type as either a married-couple family or other family, which is further classified into 'male householder' (a family with a male

householder and no wife present) or ‘female householder’ (a family with a female householder and no husband present).

**Full-scope review:** Performance under the Lending, Investment, and Service Tests is analyzed considering performance context, quantitative factors (for example, geographic distribution, borrower distribution, and total number and dollar amount of investments), and qualitative factors (for example, innovativeness, complexity, and responsiveness).

**Geography:** A CT delineated by the United States Bureau of the Census in the most recent decennial census.

**Home Mortgage Disclosure Act (HMDA):** The statute that requires certain mortgage lenders that do business or have banking offices in a metropolitan statistical area to file annual summary reports of their mortgage lending activity. The reports include such data as the race, gender, and the income of applications, the amount of loan requested, and the disposition of the application (for example, approved, denied, and withdrawn).

**Home mortgage loans:** Includes home purchase and home improvement loans as defined in the HMDA regulation. This definition also includes multifamily (five or more families) dwelling loans, loans for the purchase of manufactured homes and refinancings of home improvement and home purchase loans.

**Household:** Includes all persons occupying a housing unit. Persons not living in households are classified as living in group quarters. In 100 percent tabulations, the count of households always equals the count of occupied housing units.

**Limited-scope review:** Performance under the Lending, Investment, and Service Tests is analyzed using only quantitative factors (for example, geographic distribution, borrower distribution, total number and dollar amount of investments, and branch distribution).

**Low-income:** Individual income that is less than 50 percent of the area median income, or a median family income that is less than 50 percent, in the case of a geography.

**Market share:** The number of loans originated and purchased by the institution as a percentage of the aggregate number of loans originated and purchased by all reporting lenders in the metropolitan area/AA.

**Metropolitan area (MA):** A MSA or a metropolitan division (MD) as defined by the Office of Management and Budget. A MSA is a core area containing at least one urbanized area of 50,000 or more inhabitants, together with adjacent communities having a high degree of economic and social integration with that core. A MD is a division of a MSA based on specific criteria including commuting patterns. Only a MSA that has a population of at least 2.5 million may be divided into MDs.

**Middle-income:** Individual income that is at least 80 percent and less than 120 percent of the area median income, or a median family income that is at least 80 percent and less than 120 percent, in the case of a geography.

**Moderate-income:** Individual income that is at least 50 percent and less than 80 percent of the area median income, or a median family income that is at least 50 percent and less than 80 percent, in the case of a geography.

**Multifamily:** Refers to a residential structure that contains five or more units.

**Other products:** Includes any unreported optional category of loans for which the institution collects and maintains data for consideration during a CRA examination. Examples of such activity include consumer loans and other loan data an institution may provide concerning its lending performance.

**Owner-occupied units:** Includes units occupied by the owner or co-owner, even if the unit has not been fully paid for or is mortgaged.

**Qualified investment:** A qualified investment is defined as any lawful investment, deposit, membership share, or grant that has as its primary purpose CD.

**Rated area:** A rated area is a state or multi-state metropolitan area. For an institution with domestic branches in only one state, the institution's CRA rating would be the state rating. If an institution maintains domestic branches in more than one state, the institution will receive a rating for each state in which those branches are located. If an institution maintains domestic branches in two or more states within a multi-state metropolitan area, the institution will receive a rating for the multi-state metropolitan area.

**Small loan(s) to business(es):** A loan included in 'loans to small businesses' as defined in the Consolidated Report of Condition and Income (Call Report) and the Thrift Financial Reporting (TFR) instructions. These loans have original amounts of \$1 million or less and typically are either secured by nonfarm or nonresidential real estate or are classified as commercial and industrial loans. However, thrift institutions may also exercise the option to report loans secured by nonfarm residential real estate as "small business loans" if the loans are reported on the TFR as nonmortgage, commercial loans.

**Small loan(s) to farm(s):** A loan included in 'loans to small farms' as defined in the instructions for preparation of the Consolidated Report of Condition and Income (Call Report). These loans have original amounts of \$500,000 or less and are either secured by farmland, or are classified as loans to finance agricultural production and other loans to farmers.

**Upper-income:** Individual income that is more than 120 percent of the area median income, or a median family income that is more than 120 percent, in the case of a geography.

## **APPENDIX D - STANDARD PE LANGUAGE**

### **LENDING TEST**

#### **Scope of Test**

The Lending Test evaluates the institution's record of helping to meet the credit needs of its AA(s) by considering an institution's home mortgage, small business, small farm, and CD lending. The institution's lending performance is evaluated pursuant to the following criteria: 1) the volume of lending activity; 2) the proportion of lending within the AA(s); 3) the dispersion of loans and the number and amount of loans in low-, moderate-, middle- and upper-income geographies in the AA(s); 4) the distribution of loans among borrowers of low-, moderate-, middle- and upper-income levels and businesses (including farms) of different sizes; 5) the distribution of small business and small farm loans by loan amount at origination; 6) the volume of CD lending; and 7) the use of innovative or flexible lending practices. Performance under the Lending Test is weighted more heavily than the Investment and Service Tests when arriving at an overall rating.

#### **CD Lending:**

##### **Performance Criteria**

The institution's CD lending activities are evaluated pursuant to the following criteria: 1) the extent to which CD lending opportunities have been made available to the institution; 2) the responsiveness of the institution's CD lending; and 3) the extent of leadership the institution has demonstrated in CD lending.

#### **Innovative and Flexible Lending Practices:**

##### **Performance Criteria**

The institution's innovative and flexible lending practices are evaluated pursuant to the following criteria: 1) the degree to which the loans serve LMI creditworthy borrowers in new ways or serve groups of creditworthy borrowers not previously served by the institution; and 2) the success of each product serving LMI borrowers, including the number and dollar volume of loans originated during the review period.

### **INVESTMENT TEST**

#### **Scope of Test**

The Investment Test evaluates the institution's record of helping to meet the credit needs of its AA(s) through its use of qualified investments that benefit the AA(s) or a broader statewide or regional area that includes the institution's AA(s). Activities considered under the lending or Service Test may not be considered under the Investment Test. The institution's investment

performance is evaluated pursuant to the following criteria: 1) the dollar amount of qualified investments; 2) the innovativeness or complexity of qualified investments; 3) the responsiveness of qualified investments to credit and CD needs; and 4) the degree to which the qualified investments are not routinely provided by private investors.

## **SERVICE TEST**

### **Scope of Test**

The Service Test evaluates the institution's record of helping to meet the credit needs of its AA(s) by analyzing both the availability and effectiveness of the institution's systems for delivering retail banking services and the extent and innovativeness of its CD services. The institution's retail banking services are evaluated pursuant to the following criteria: 1) the distribution of the institution's branches among geographies of different income levels; 2) the record of opening and closing branches, particularly branches located in LMI geographies or that primarily serve low- or moderate-income individuals; 3) the availability and effectiveness of alternate systems for delivering retail banking services; and 4) the range of services provided in low-, moderate-, middle-, and upper-income geographies and the degree to which the services are tailored to meet the needs of those geographies.

In addition, the institution's CD services are evaluated pursuant to the following criteria: 1) the extent of CD services offered and used; 2) the innovativeness of CD services, including whether they serve LMI customers in new ways or serve groups of customers not previously served; 3) the degree to which they serve LMI areas or individuals; and 4) their responsiveness to available opportunities for CD services.

## **APPENDIX E – INNOVATIVE OR FLEXIBLE LOAN PRODUCTS**

### **Small Business/Small Farm Loan Programs**

BusinessLink and AgLink Lines of Credit are revolving operating lines of credit from \$26,000 to \$750,000. Based on the borrower's financial strength, the lines may be secured or unsecured. The lines have a maximum term of 10 years, with interest only minimum payments. These products feature a streamlined application and approval process, and have a waiver of financial statements for requests of up to \$50,000.

BusinessLink Equity Line is a revolving line of credit from \$26,000 to \$750,000. The loan is intended for short-term needs, and it is secured by the borrower's primary residence. This product features a streamlined application and approval process, is based upon the borrower's credit profile, and has a waiver of financial statements for requests of up to \$100,000. For loans up to \$249,000, a no closing costs option is available. There is no annual review requirement.

BusinessLink Equity Loan is a fixed rate, long term business loan from \$50,000 to \$750,000 secured by the borrower's primary residence. This product features a streamlined application and approval process, is based upon the borrower's credit profile, and has a waiver of financial statements for requests of up to \$100,000. For loans up to \$249,000, a no closing costs option is available. There is no annual review requirement.

BusinessLink Term Loan is a fixed rate, fixed term, short term loan from \$10,000 to \$750,000 repayable over five to seven years and is secured by new or used equipment, vehicles, cash, general assets, or real estate. This product features a streamlined application and approval process, waiver of financial statements for requests of up to \$50,000, has up to 100 percent financing, and is based on the borrower's financial strength. There is no annual review requirement.

BusinessLink and AgLink Flex Line to Term are non-revolving lines of credit from \$26,000 to \$750,000 for capital expense needs, and they are secured by new or used equipment/vehicles, cash, general assets, or real estate. These products feature a streamlined application and approval process, as well as a waiver of financial statements for requests of up to \$50,000. A draw down period of up to 12 months is available with automatic conversion to monthly payment of principal and interest for a subsequent 6-year period.

BusinessLink Commercial Real Estate Loan (Mini-Perm) is a first mortgage from \$50,000 to \$1.0 million on owner-occupied commercial real estate. The rate is fixed at five year intervals and three repayment options offer flexibility of terms.

Equipment Leases offer flexible financing to small- and medium-size businesses through the leasing of the equipment. These leases are financing alternatives from \$25,000 to \$750,000 where the Bank owns the equipment during the lease period and rents it to the business. At the end of the lease the business can choose from four buyout products with flexible financing terms.

Ex-Im Working Capital Guarantee Program enables U.S. exporters to obtain loans that facilitate the export of goods or services. These working capital loans, backed by Ex-Im Bank's guarantee, provide U.S. exporters with the liquidity to accept new business, grow international sales, and compete more effectively in the international marketplace. Ex-Im Bank is an independent federal government agency whose mission is to create jobs in the U.S. by helping to finance exports of U.S. goods and services. Ninety percent of Ex-Im Bank transactions are to small- and medium-sized businesses.

SBA 7(a) Loans can be used by small businesses for an array of opportunities with terms ranging from 7 to 25 years depending on the type of project.

SBA 504 Loans provide second mortgage financing to small businesses who are the primary users of their buildings. Rates are fixed over the 20-year term and are assumable over the life of the loan.

### **Mortgage Loan Programs**

Hometown Loan Program is priced to be able to compete with affordable housing state agency programs. In order to qualify for the program, the borrower must meet one of the following criteria: gross annual income of less than 80 percent of the HUD Area Median Income, the property located in an LMI CT, or the property located in a middle-income underserved CT. This program also offers home financing options for affordable housing through low down payment options, higher loan to value options than traditional conventional products, below market pricing, and up to 40 year terms.

Rural Development Program provides USDA guaranteed loans in rural areas to eligible applicants to purchase a new dwelling or purchase and improve an existing dwelling for use by the applicant as a primary dwelling.

Patriot Program offers financing for borrowers without traditional credit established in the U.S. because they have lived out of the country for an extended period of time. Loan applications for the Patriot Program are reviewed to take into consideration all relevant factors and merits presented in an individual loan application, including job stability, assets and the overall banking relationship with BOW.

FHA, FMHA, and VA Programs are government programs that provide flexible home lending products.

### **Consumer Loan Programs**

Military Loan Program is available to all ranks and branches of the military, which include: active duty, immediate family (spouse and children), retired, National Guard (active and reserve), new enlistees, college ROTC students and cadets, honorably discharged, and disabled veterans. These are low-cost, short-term loans.



Equity Choice Line allows borrowers a variable interest rate loan in any amount up to 89 percent of the value of the property. On loans up to \$2,000,000, there are no loan fees or closing costs. This product also allows for an optional conversion of up to 3 outstanding variable lines to a fixed-rate loan if variable rates begin to rise.

Custom Equipped Handicap Van Loans provide financing for vehicle retrofit for use by the disabled. BOW is a Preferred Lender for the Braun Corporation, who is a primary manufacturer of vehicle retrofit for the disabled. This business is sourced under the bank's recreational vehicle product line through a network of nationwide dealers that have been approved by Braun Corporation. BOW is one of relatively few lenders that offer this financing. These loans are considered to be of higher risk due to the low-resale value of the highly specialized, retrofitted vehicles should a borrower default. Greater underwriting flexibility is given with regard to credit history, as medical problems of the disabled borrowers may negatively impact their credit history.

## APPENDIX F - LIMITED-SCOPE ASSESSMENT AREA DEMOGRAPHICS

Each AA contains whole geographies, does not reflect illegal discrimination, and does not arbitrarily exclude any low- or moderate-income areas. All of the following demographic information was gleaned from 2013 D&B and the 2010 U.S. Census. The areas are listed alphabetically by state and then alphabetically by AA name.

### Arizona

#### Arizona Non-MSA

The Arizona Non-MSA AA consists of 26 adjacent CTs within Navajo and Apache Counties, as well as all tracts located in Gila County. The population of the AA was 149,837, according to the 2010 U.S. Census.

Arizona Non-MSA AA Characteristics						
Income Level	# of Tracts	% of Tracts	% of Households	% of Housing Units	% of Farms	% of Businesses
Low-Income	2	4.8	2.2	1.8	0.0	0.0
Moderate-Income	3	7.1	3.2	3.8	1.7	2.3
Middle-Income	27	64.3	65.9	69.1	71.4	69.0
Upper-Income	10	23.8	28.7	25.3	26.9	28.7
N/A	0	0.0			0.0	0.0
Totals	42	100.0	100.0	100.0	100.0	100.0

*Source: 2010 U.S. Census Data, 2013 D&B Data*

#### Flagstaff MSA

The Flagstaff MSA AA consists of seven adjacent CTs located in Coconino County. The population of the AA was 31,724, according to the 2010 U.S. Census.

Flagstaff MSA AA Characteristics						
Income Level	# of Tracts	% of Tracts	% of Households	% of Housing Units	% of Farms	% of Businesses
Low-Income	0	0.0	0.0	0.0	0.0	0.0
Moderate-Income	6	85.7	68.7	74.4	12.5	29.9
Middle-Income	1	14.3	31.3	25.6	87.5	70.1
Upper-Income	0	0.0	0.0	0.0	0.0	0.0
N/A	0	0.0			0.0	0.0
Totals	7	100.0	100.0	100.0	100.0	100.0

*Source: 2010 U.S. Census Data, 2013 D&B Data*

### **Prescott MSA**

The Prescott MSA AA consists of five adjacent CTs located in Yavapai County. The population of the AA was 18,314, according to the 2010 U.S. Census.

Prescott MSA AA Characteristics						
Income Level	# of Tracts	% of Tracts	% of Households	% of Housing Units	% of Farms	% of Businesses
Low-Income	0	0.0	0.0	0.0	0.0	0.0
Moderate-Income	1	20.0	20.4	23.6	29.6	23.8
Middle-Income	4	80.0	79.6	76.4	70.4	76.2
Upper-Income	0	0.0	0.0	0.0	0.0	0.0
N/A	0	0.0			0.0	0.0
Totals	5	100.0	100.0	100.0	100.0	100.0
Source: 2010 U.S. Census Data, 2013 D&B Data						

### **Tucson MSA**

The Tucson MSA AA consists of all geographies within Pima County, which represents the entire MSA. The population of the AA was 980,263, according to the 2010 U.S. Census.

Tucson MSA AA Characteristics						
Income Level	# of Tracts	% of Tracts	% of Households	% of Housing Units	% of Farms	% of Businesses
Low-Income	18	7.5	6.2	6.4	4.8	5.9
Moderate-Income	65	27.0	28.7	28.9	22.5	25.1
Middle-Income	81	33.6	34.3	34.2	34.7	29.8
Upper-Income	76	31.5	30.8	30.5	38.0	39.2
N/A	1	0.4			0.0	0.0
Totals	241	100.0	100.0	100.0	100.0	100.0
Source: 2010 U.S. Census Data, 2013 D&B Data						

## California

### Bakersfield MSA

The Bakersfield MSA AA consists of all the geographies within Kern County. The population of the AA was 839,631, according to the 2010 U.S. Census.

Bakersfield MSA AA Characteristics						
Income Level	# of Tracts	% of Tracts	% of Households	% of Housing Units	% of Farms	% of Businesses
Low-Income	6	4	3.6	3.6	1.2	3.7
Moderate-Income	47	31.1	29.9	30.1	28.6	20.3
Middle-Income	47	31.1	29.9	30.5	31.5	30.7
Upper-Income	47	31.1	36.6	35.8	38.7	45.3
N/A	4	2.7			0.0	0.0
Totals	151	100.0	100.0	100.0	100.0	100.0
Source: 2010 U.S. Census Data, 2013 D&B Data						

### California Non-MSA

The California Non-MSA AA consists of all the geographies within Nevada and Lake Counties. The population of the AA was 163,429, according to the 2010 U.S. Census.

California Non-MSA AA Characteristics						
Income Level	# of Tracts	% of Tracts	% of Households	% of Housing Units	% of Farms	% of Businesses
Low-Income	1	2.9	2.4	2.6	0.7	1.6
Moderate-Income	4	11.4	10.4	10.3	3.3	8.4
Middle-Income	20	57.1	55.1	56.4	57.6	59.3
Upper-Income	10	28.6	32.1	30.7	38.4	30.7
N/A	0	0			0.0	0.0
Totals	35	100.0	100.0	100.0	100.0	100.0
Source: 2010 U.S. Census Data, 2013 D&B Data						

## **Chico MSA**

The Chico MSA AA consists of all the geographies within Butte County. The population of the AA was 220,000, according to the 2010 U.S. Census.

Chico MSA AA Characteristics						
Income Level	# of Tracts	% of Tracts	% of Households	% of Housing Units	% of Farms	% of Businesses
Low-Income	1	2.0	1.8	1.9	0.2	0.4
Moderate-Income	14	27.5	22.5	22.9	20.3	27.5
Middle-Income	25	49.0	51.0	51.1	39.1	45.1
Upper-Income	11	21.5	24.7	24.1	40.4	27.0
N/A	0	0.0			0.0	0.0
Totals	51	100.0	100.0	100.0	100.0	100.0
Source: 2010 U.S. Census Data, 2013 D&B Data						

## **Fresno MSA**

The Fresno MSA AA consists of all the geographies within Fresno County. The population of the AA was 930,450, according to the 2010 U.S. Census.

Fresno MSA AA Characteristics						
Income Level	# of Tracts	% of Tracts	% of Households	% of Housing Units	% of Farms	% of Businesses
Low-Income	22	11.1	9.5	9.7	4.3	9.6
Moderate-Income	56	28.1	27.2	27.1	30.4	23.9
Middle-Income	51	25.6	28.4	28.1	34.4	26.3
Upper-Income	68	34.2	34.9	35.1	30.9	39.9
N/A	2	1.0			0.0	0.3
Totals	199	100.0	100.0	100.0	100.0	100.0
Source: 2010 U.S. Census Data, 2013 D&B Data						

## **Modesto MSA**

The Modesto MSA AA consists of the geographies within Stanislaus County. The population of the AA was 514,453, according to the 2010 U.S. Census.

Modesto MSA AA Characteristics						
Income Level	# of Tracts	% of Tracts	% of Households	% of Housing Units	% of Farms	% of Businesses
Low-Income	4	4.2	2.8	2.9	0.7	2.3
Moderate-Income	20	21.3	18.0	18.3	8.2	19.4
Middle-Income	44	46.8	45.4	45.3	51.7	44.1
Upper-Income	26	27.7	33.8	33.5	39.4	34.2
N/A	0.0	0.0			0.0	0.0
Totals	94	100.0	100.0	100.0	100.0	100.0
Source: 2010 U.S. Census Data, 2013 D&B Data						

## **Sacramento-Roseville CSA**

The Sacramento-Roseville CSA AA consists of all geographies within El Dorado, Placer, Sacramento, and Yolo Counties. The population of the AA was 2,149,127, according to the 2010 U.S. Census.

Sacramento-Roseville CSA AA Characteristics						
Income Level	# of Tracts	% of Tracts	% of Households	% of Housing Units	% of Farms	% of Businesses
Low-Income	37	7.6	6.8	6.9	3.9	7.0
Moderate-Income	114	23.6	23.5	22.8	16.7	20.8
Middle-Income	185	38.2	39.6	41.2	45.5	38.9
Upper-Income	147	30.4	30.1	29.1	33.9	33.3
N/A	1	0.2			0.0	0.0
Totals	484	100.0	100.0	100.0	100.0	100.0
Source: 2010 U.S. Census Data, 2013 D&B Data						

### **Salinas MSA**

The Salinas MSA AA consists of a portion of the geographies within Monterey County. The population of the AA was 110,813, according to the 2010 U.S. Census.

Salinas MSA AA Characteristics						
Income Level	# of Tracts	% of Tracts	% of Households	% of Housing Units	% of Farms	% of Businesses
Low-Income	0	0.0	0.0	0.0	0.0	0.0
Moderate-Income	2	9.3	11.4	10.7	11.6	12.2
Middle-Income	14	43.8	51.0	48.0	55.8	52.5
Upper-Income	14	43.8	37.6	41.3	32.6	35.0
N/A	1	3.1			0.0	0.3
Totals	32	100.0	100.0	100.0	100.0	100.0
Source: 2010 U.S. Census Data, 2013 D&B Data						

### **San Diego MSA**

The San Diego MSA AA consists of all the geographies within San Diego County. The population of the AA was 3,095,313, according to the 2010 U.S. Census.

San Diego MSA AA Characteristics						
Income Level	# of Tracts	% of Tracts	% of Households	% of Housing Units	% of Farms	% of Businesses
Low-Income	63	10	8.4	8.4	4.3	5.8
Moderate-Income	134	21.3	20.2	20.3	16.4	15.6
Middle-Income	227	36.2	36.6	36.7	39.1	35.4
Upper-Income	198	31.5	34.8	34.6	40.2	43.1
N/A	6	1.0			0.0	0.1
Totals	628	100.0	100.0	100.0	100.0	100.0
Source: 2010 U.S. Census Data, 2013 D&B Data						

### **Santa Barbara MSA**

The Santa Barbara MSA AA consists of all the geographies within Santa Barbara County. The population of the AA was 423,895, according to the 2010 U.S. Census.

Santa Barbara MSA AA Characteristics						
Income Level	# of Tracts	% of Tracts	% of Households	% of Housing Units	% of Farms	% of Businesses
Low-Income	8	8.9	8.5	8.4	6.6	13.1
Moderate-Income	22	24.7	22.9	23.0	16.5	20.8
Middle-Income	25	28.1	31.6	31.4	25.2	26.6
Upper-Income	32	36.0	37.0	37.2	51.5	39.0
N/A	2	2.3			0.2	0.5
Totals	89	100.0	100.0	100.0	100.0	100.0
Source: 2010 U.S. Census Data, 2013 D&B Data						

### **Visalia-Porterville-Hanford CSA**

The Visalia-Porterville-Hanford CSA AA consists of all the geographies within Kings and Tulare Counties. The population of the AA was 595,161, according to the 2010 U.S. Census.

<b>Visalia-Porterville-Hanford CSA AA Characteristics</b>						
<b>Income Level</b>	<b># of Tracts</b>	<b>% of Tracts</b>	<b>% of Households</b>	<b>% of Housing Units</b>	<b>% of Farms</b>	<b>% of Businesses</b>
<b>Low-Income</b>	2	1.9	1.0	0.9	1.8	1.0
<b>Moderate-Income</b>	34	32.4	31.4	31.1	25.3	30.7
<b>Middle-Income</b>	35	33.3	31.3	30.7	42.0	26.9
<b>Upper-Income</b>	31	29.5	36.3	37.3	30.9	41.3
<b>N/A</b>	3	2.9			0.0	0.1
<b>Totals</b>	105	100.0	100.0	100.0	100.0	100.0
<i>Source: 2010 U.S. Census Data, 2013 D&amp;B Data</i>						

### **Colorado**

#### **Fort Collins MSA**

The Fort Collins MSA AA consists of all geographies in Laramer County. The AA has a population of 299,630, per the 2010 U.S. Census.

<b>Fort Collins MSA AA Characteristics</b>						
<b>Income Level</b>	<b># of Tracts</b>	<b>% of Tracts</b>	<b>% of Households</b>	<b>% of Housing Units</b>	<b>% of Farms</b>	<b>% of Businesses</b>
<b>Low-Income</b>	2	2.7	2.7	1.0	1.3	0.9
<b>Moderate-Income</b>	18	24.7	22.8	18.2	16.7	20.3
<b>Middle-Income</b>	36	49.3	49.8	50.0	49.6	50.6
<b>Upper-Income</b>	16	21.9	24.7	30.8	32.3	28.2
<b>N/A</b>	1	1.4			0.1	0.0
<b>Totals</b>	73	100.0	100.0	100.0	100.0	100.0
<i>Source: 2010 U.S. Census Data, 2013 D&amp;B Data</i>						



## **Grand Junction MSA**

The Grand Junction MSA AA includes all geographies in the only county in the MSA, Mesa County. The AA has a population of 146,723, per the 2010 U.S. Census.

Grand Junction MSA AA Characteristics						
Income Level	# of Tracts	% of Tracts	% of Households	% of Housing Units	% of Farms	% of Businesses
Low-Income	0	0.0	0.0	0.0	0.0	0.0
Moderate-Income	6	20.7	16.9	27.7	7.4	12.2
Middle-Income	16	55.2	59.6	58.2	63.1	61.1
Upper-Income	7	24.1	23.5	14.1	29.5	26.7
N/A	0	0.0			0.0	0.0
Totals	29	100.0	100.0	100.0	100.0	100.0
Source: 2010 U.S. Census Data, 2013 D&B Data						

## **Colorado Non-MSA**

The Colorado Non-MSA AA includes all geographies in 13 rural counties. The counties are listed in Colorado statewide Performance Section of this evaluation. The 13 counties have a total population of 246,589, per the 2010 U.S. Census.

Colorado Non-MSA AA Characteristics						
Income Level	# of Tracts	% of Tracts	% of Households	% of Housing Units	% of Farms	% of Businesses
Low-Income	0	0.0	0.0	0.0	0.0	0.0
Moderate-Income	11	15.5	17.5	16.0	12.9	15.5
Middle-Income	43	60.6	57.3	57.8	68.3	51.5
Upper-Income	17	23.9	25.2	26.2	18.8	33.0
N/A	0	0.0			0.0	0.0
Totals	71	100.0	100.0	100.0	100.0	100.0
Source: 2010 U.S. Census Data, 2013 D&B Data						

## Idaho

### Idaho Non-MSA

The Idaho Non-MSA AA consists of all geographies in Blaine County. The AA has a population of 21,376, per the 2010 U.S. Census. Please note that Blaine County has few CTs and none are considered low-, moderate-, or middle-income.

Idaho Non-MSA AA Characteristics						
Income Level	# of Tracts	% of Tracts	% of Households	% of Housing Units	% of Farms	% of Businesses
Low-Income	0	0.0	0.0	0.0	0.0	0.0
Moderate-Income	0	0.0	0.0	0.0	0.0	0.0
Middle-Income	0	0.0	0.0	0.0	0.0	0.0
Upper-Income	4	100.0	100.0	100.0	100.0	100.0
N/A	0	0.0			0.0	0.0
Totals	4	100.0	100.0	100.0	100.0	100.0
Source: 2010 U.S. Census Data, 2013 D&B Data						

## Iowa

### Ames MSA

The Ames AA consists of all geographies within Story County, which represents the entire MSA. The population of the AA was 89,542, according to the 2010 U.S. Census.

Ames MSA AA Characteristics					
Income Level	# of Tracts	% of Tracts	% of Households	% of Housing Units	% of Businesses
Low-Income	2	10.0	8.6	3.3	9.9
Moderate-Income	2	10.0	8.4	6.4	4.7
Middle-Income	14	70.0	70.6	72.7	66.6
Upper-Income	1	5.0	12.4	17.6	16.8
N/A	1	5.0	0.0	0.0	2.0
Totals	20	100.0	100.0	100.0	100.0
Source: 2010 U.S. Census Data, 2013 D&B Data					

### **Cedar Rapids CSA**

The Cedar Rapids CSA AA consists of all geographies within Jones and Linn Counties, which represents the entire MSA. The population of the AA was 231,864, according to the 2010 U.S. Census.

<b>Cedar Rapids CSA AA Characteristics</b>					
<b>Income Level</b>	<b># of Tracts</b>	<b>% of Tracts</b>	<b>% of Households</b>	<b>% of Housing Units</b>	<b>% of Businesses</b>
<b>Low-Income</b>	1	1.3	0.9	0.3	3.1
<b>Moderate-Income</b>	18	24.3	20.5	16.8	20.2
<b>Middle-Income</b>	38	51.4	53.8	53.1	48.6
<b>Upper-Income</b>	17	23.0	24.8	29.8	28.2
<b>N/A</b>	0	0.0	0.0	0.0	0.0
<b>Totals</b>	74	100.0	100.0	100.0	100.0
<i>Source: 2010 U.S. Census Data, 2013 D&amp;B Data</i>					

### **Davenport-Moline-Rock Island MSA**

The Davenport-Moline-Rock Island MSA AA consists of all geographies within Scott County, which represents the entire MSA. The population of the AA was 165,224, according to the 2010 U.S. Census.

<b>Davenport-Moline-Rock Island MSA AA Characteristics</b>					
<b>Income Level</b>	<b># of Tracts</b>	<b>% of Tracts</b>	<b>% of Households</b>	<b>% of Housing Units</b>	<b>% of Businesses</b>
<b>Low-Income</b>	5	10.6	7.3	3.4	9.1
<b>Moderate-Income</b>	7	14.9	11.2	10.1	6.9
<b>Middle-Income</b>	20	42.6	44.5	44.1	40.0
<b>Upper-Income</b>	15	31.9	37.0	42.4	44.0
<b>N/A</b>	0	0.0	0.0	0.0	0.0
<b>Totals</b>	47	100.0	100.0	100.0	100.0
<i>Source: 2010 U.S. Census Data, 2013 D&amp;B Data</i>					

## **Iowa Non-MSA**

The Iowa Non-MSA AA consists of all geographies within Winneshiek, Howard, Carroll, Shelby, Boone, Decatur, Davis, and Wapello counties, which represents the entire MSA. The population of the AA was 142,746, according to the 2010 U.S. Census.

<b>Iowa Non-MSA AA Characteristics</b>					
<b>Income Level</b>	<b># of Tracts</b>	<b>% of Tracts</b>	<b>% of Households</b>	<b>% of Housing Units</b>	<b>% of Businesses</b>
<b>Low-Income</b>	0	0.0	0.0	0.0	0.0
<b>Moderate-Income</b>	5	12.2	10.2	8.9	6.8
<b>Middle-Income</b>	31	75.6	77.2	77.5	80.4
<b>Upper-Income</b>	5	12.2	12.6	13.6	12.8
<b>N/A</b>	0	0.0	0.0	0.0	0.0
<b>Totals</b>	41	100.0	100.0	100.0	100.0
<i>Source: 2010 U.S. Census Data, 2013 D&amp;B Data</i>					

## **Kansas**

### **Kansas Non-MSA**

The Kansas Non-MSA AA consists of all geographies within Barton, Cowley, Finney, Ford, Pawnee, and Reno Counties. The population of the AA was 206,093, according to the 2010 U.S. Census.

<b>Kansas Non-MSA AA Characteristics</b>						
<b>Income Level</b>	<b># of Tracts</b>	<b>% of Tracts</b>	<b>% of Households</b>	<b>% of Housing Units</b>	<b>% of Farms</b>	<b>% of Businesses</b>
<b>Low-Income</b>	0	0.0	0.0	0.0	0.0	0.0
<b>Moderate-Income</b>	13	22.8	22.8	23.2	9.9	21.6
<b>Middle-Income</b>	36	63.2	62.7	62.5	79.1	64.4
<b>Upper-Income</b>	8	14.0	14.5	14.3	11.0	14.0
<b>N/A</b>	0	0.0			0.0	0.0
<b>Totals</b>	57	100.0	100.0	100.0	100.0	100.0
<i>Source: 2010 U.S. Census Data, 2013 D&amp;B Data</i>						

## Nebraska

### Lincoln MSA

The Lincoln MSA AA consists of all geographies within Lancaster County, which represents the entire MSA. The population of the AA was 285,407, according to the 2010 U.S. Census.

Lincoln MSA AA Characteristics						
Income Level	# of Tracts	% of Tracts	% of Households	% of Housing Units	% of Farms	% of Businesses
Low-Income	10	13.5	11.6	5.0	1.5	7.9
Moderate-Income	15	20.3	20.1	14.0	8.1	22.6
Middle-Income	23	31.1	38.1	40.6	21.5	32.3
Upper-Income	23	31.1	30.2	40.4	68.9	36.8
N/A	3	4.0	0.0	0.0	0.0	0.4
Totals	74	100.0	100.0	100.0	100.0	100.0
Source: 2010 U.S. Census Data, 2013 D&B Data						

### Sioux City MSA

The Sioux MSA AA consists of all geographies within Dakota County, which represents the entire MSA. The population of the AA was 7,653, according to the 2010 U.S. Census.

Sioux City MSA AA Characteristics						
Income Level	# of Tracts	% of Tracts	% of Households	% of Housing Units	% of Farms	% of Businesses
Low-Income	0	0.0	0.0	0.0	0.0	0.0
Moderate-Income	1	25.0	29.8	22.6	4.4	25.2
Middle-Income	3	75.0	70.2	77.4	95.6	74.8
Upper-Income	0	0.0	0.0	0.0	0.0	0.0
N/A	0	0.0	0.0	0.0	0.0	0.0
Totals	4	100.0	100.0	100.0	100.0	100.0
Source: 2010 U.S. Census Data, 2013 D&B Data						

## Nevada

### Carson City MSA

The Carson City MSA AA consists of all geographies within Carson City County, which represents the entire MSA. The population of the AA was 55,274, according to the 2010 U.S. Census.

Carson City MSA AA Characteristics						
Income Level	# of Tracts	% of Tracts	% of Households	% of Housing Units	% of Farms	% of Businesses
Low-Income	0	0.0	0.0	0.0	0.0	0.0
Moderate-Income	3	23.1	20.1	20.1	14.1	12.0
Middle-Income	9	69.2	72.0	72.0	81.8	81.2
Upper-Income	1	7.7	7.9	7.9	4.1	6.8
N/A	0	0.0			0.0	0.0
Totals	13	100.0	100.0	100.0	100.0	100.0
Source: 2010 U.S. Census Data, 2013 D&B Data						

### Reno MSA

The Reno MSA AA consists of all geographies within Washoe County, representing one of two counties located in the MSA. The population of the AA was 421,407, according to the 2010 U.S. Census.

Reno MSA AA Characteristics						
Income Level	# of Tracts	% of Tracts	% of Households	% of Housing Units	% of Farms	% of Businesses
Low-Income	10	9.0	10.4	10.6	6.3	10.9
Moderate-Income	24	21.6	24.3	24.3	23.4	28.8
Middle-Income	35	31.5	32.6	32.3	29.7	21.7
Upper-Income	37	33.4	32.7	32.8	39.1	34.1
N/A	5	4.5			1.5	4.5
Totals	111	100.0	100.0	100.0	100.0	100.0
Source: 2010 U.S. Census Data, 2013 D&B Data						

## New Mexico

### Las Cruces MSA

The Las Cruces MSA AA consists of the entire Las Cruces, NM MSA and all geographies in Dona Ana County. The AA has a population of 209,233, per the 2010 U.S. Census.

Las Cruces MSA AA Characteristics						
Income Level	# of Tracts	% of Tracts	% of Households	% of Housing Units	% of Farms	% of Businesses
Low-Income	4	9.8	9.1	4.6	3.5	7.9
Moderate-Income	16	39.0	31.3	31.6	41.7	27.1
Middle-Income	7	17.1	17.1	18.1	11.6	17.6
Upper-Income	14	34.1	42.5	45.7	43.2	47.4
N/A	0	0.0			0.0	0.0
Totals	41	100.0	100.0	100.0	100.0	100.0
Source: 2010 U.S. Census Data, 2013 D&B Data						

## Minnesota

### La Crosse MSA

The La Crosse MSA AA consists of all geographies within Houston County, which represents one of two counties located in the MSA. The MSA is a multi-state MSA with Houston County representing the Minnesota portion. The population of the AA is 19,027, according to the 2010 U.S. Census. Only middle-income CTs comprise this AA.

La Crosse MSA AA Characteristics						
Income Level	# of Tracts	% of Tracts	% of Households	% of Housing Units	% of Farms	% of Businesses
Low-Income	0	0.0	0.0	0.0	0.0	0.0
Moderate-Income	0	0.0	0.0	0.0	0.0	0.0
Middle-Income	5	100.0	100.0	100.0	100.0	100.0
Upper-Income	0	0.0	0.0	0.0	0.0	0.0
N/A	0	0.0			0.0	0.0
Totals	5	100.0	100.0	100.0	100.0	100.0
Source: 2010 U.S. Census Data, 2013 D&B Data						

## **Minneapolis-St. Paul-St. Cloud CSA**

The Minneapolis-St Paul-St. Cloud CSA AA consists of all geographies within Anoka, Carver, Dakota, and Hennepin Counties, as well as 7 tracts within Stearns County. While the CSA is a multi-state area, all five counties are located in Minnesota. The population of the CSA is 2,008,425, according to the 2010 U.S. Census.

<b>Minneapolis-St. Paul-St. Cloud CSA AA Characteristics</b>						
<b>Income Level</b>	<b># of Tracts</b>	<b>% of Tracts</b>	<b>% of Households</b>	<b>% of Housing Units</b>	<b>% of Farms</b>	<b>% of Businesses</b>
<b>Low-Income</b>	42	8.4	6.4	6.8	1.2	4.5
<b>Moderate-Income</b>	107	21.3	20.8	21.0	14.4	17.9
<b>Middle-Income</b>	217	43.1	44.4	44.1	59.9	42.6
<b>Upper-Income</b>	137	27.2	28.4	28.1	24.5	35.0
<b>N/A</b>	0	0.0			0.0	0.0
<b>Totals</b>	503	100.0	100.0	100.0	100.0	100.0
<i>Source: 2010 U.S. Census Data, 2013 D&amp;B Data</i>						

## **Oklahoma**

### **Oklahoma City MSA**

The Oklahoma City MSA AA consists of all geographies within Cleveland and Oklahoma Counties, which represents the entire MSA. The population of the AA was 974,388, according to the 2010 U.S. Census.

<b>Oklahoma City MSA AA Characteristics</b>					
<b>Income Level</b>	<b># of Tracts</b>	<b>% of Tracts</b>	<b>% of Households</b>	<b>% of Housing Units</b>	<b>% of Businesses</b>
<b>Low-Income</b>	31	10.2	6.2	4.1	6.5
<b>Moderate-Income</b>	87	28.7	28.0	21.1	20.8
<b>Middle-Income</b>	104	34.3	37.4	40.2	35.0
<b>Upper-Income</b>	77	25.4	28.3	34.6	36.2
<b>N/A</b>	4	1.4	0.1	0.0	1.5
<b>Totals</b>	303	100.0	100.0	100.0	100.0
<i>Source: 2010 U.S. Census Data, 2013 D&amp;B Data</i>					



## **Tulsa MSA**

The Tulsa MSA AA consists of all geographies within Tulsa County, which represents the entire MSA. The population of the AA was 603,403, according to the 2010 U.S. Census.

Tulsa MSA AA Characteristics					
Income Level	# of Tracts	% of Tracts	% of Households	% of Housing Units	% of Businesses
Low-Income	19	10.9	8.8	5.4	6.5
Moderate-Income	52	29.7	26.2	20.5	23.6
Middle-Income	49	28.0	30.7	31.6	28.3
Upper-Income	55	31.4	34.3	42.5	41.6
N/A	0	0.0	0.0	0.0	0.0
Totals	175	100.0	100.0	100.0	100.0
Source: 2010 U.S. Census Data, 2013 D&B Data					

## **Oregon**

### **Oregon Non-MSA**

The Oregon Non-MSA AA includes all geographies in five rural counties: Jefferson, Lincoln, Malheur, Umatilla, and Wasco. The AA has a population of 200,169, per the 2010 U.S. Census.

Oregon Non-MSA AA Characteristics						
Income Level	# of Tracts	% of Tracts	% of Households	% of Housing Units	% of Farms	% of Businesses
Low-Income	0	0.0	0.0	0.0	0.0	0.0
Moderate-Income	4	7.3	7.8	6.5	1.7	8.6
Middle-Income	41	74.5	79.9	81.1	86.4	74.6
Upper-Income	8	14.6	12.3	12.4	11.9	16.8
N/A	2	3.6			0.0	0.0
Totals	55	100.0	100.0	100.0	100.0	100.0
Source: 2010 U.S. Census Data, 2013 D&B Data						

## **Salem MSA**

The Salem MSA was deleted from the bank's AA in January 2014 when the bank closed the single office in Salem. Loan data for 2012 and 2013 was included in the evaluation since the Salem MSA was in the bank's AA in those years. Therefore, data below is presented for informational purposes only. The Salem MSA includes all geographies in Marion County. The AA has a population of 315,335, and a median housing value of \$210,341, per the last U.S. Census.

<b>Salem Non-MSA Characteristics</b>						
<b>Income Level</b>	<b># of Tracts</b>	<b>% of Tracts</b>	<b>% of Households</b>	<b>% of Housing Units</b>	<b>% of Farms</b>	<b>% of Businesses</b>
<b>Low-Income</b>	0	0.0	0.0	0.0	0.0	0.0
<b>Moderate-Income</b>	13	22.4	23.3	14.6	10.7	24.3
<b>Middle-Income</b>	33	56.9	55.0	59.3	69.4	55.4
<b>Upper-Income</b>	12	20.7	21.7	26.1	19.9	20.3
<b>N/A</b>	0	0.0			0.0	0.0
<b>Totals</b>	58	100.0	100.0	100.0	100.0	100.0
<i>Source: 2010 U.S. Census Data, 2013 D&amp;B Data</i>						

## **Utah**

### **Utah Non-MSA**

The Utah Non-MSA AA consists of three adjacent CTs located in Wasatch County. The population of the AA was 14,916, according to the 2010 U.S. Census.

<b>Utah Non-MSA AA Characteristics</b>					
<b>Income Level</b>	<b># of Tracts</b>	<b>% of Tracts</b>	<b>% of Households</b>	<b>% of Housing Units</b>	<b>% of Businesses</b>
<b>Low-Income</b>	0	0.0	0.0	0.0	0.0
<b>Moderate-Income</b>	0	0.0	0.0	0.0	0.0
<b>Middle-Income</b>	1	33.3	26.8	22.5	28.5
<b>Upper-Income</b>	2	66.7	73.2	77.5	71.5
<b>N/A</b>	0	0.0			0.0
<b>Totals</b>	3	100.0	100.0	100.0	100.0
<i>Source: 2010 U.S. Census Data, 2013 D&amp;B Data</i>					

## **Washington**

### **Seattle MD**

The Seattle MD AA consists of 242 CT in an around Seattle in King County, Washington. The bank does not include all geographies in the Seattle-Bellevue-Everett, WA MD. The bank has a single branch in the very large King County, and none in adjoining Snohomish County, also in the MD. Therefore, the bank includes a radius around the branch approximately representing the

city limits of Seattle and Bellevue. The AA includes entire geographies. The population of the AA is 1,139,820, per the 2010 U.S. Census.

Seattle MD AA Characteristics						
Income Level	# of Tracts	% of Tracts	% of Households	% of Housing Units	% of Farms	% of Businesses
Low-Income	16	6.6	5.6	2.3	4.3	6.3
Moderate-Income	43	17.8	17.0	13.3	17.0	13.8
Middle-Income	99	40.9	44.4	43.1	41.4	41.6
Upper-Income	83	34.3	33.0	41.3	37.3	38.1
N/A	1	0.4			0.0	0.2
Totals	242	100.0	100.0	100.0	100.0	100.0
Source: 2010 U.S. Census Data, 2013 D&B Data						

### Yakima MSA

The Yakima MSA AA consists of all geographies Yakima County and the Yakima, WA MSA. The population of the AA is 243,231, per the 2010 U.S. Census.

Yakima MSA AA Characteristics						
Income Level	# of Tracts	% of Tracts	% of Households	% of Housing Units	% of Farms	% of Businesses
Low-Income	2	4.4	3.9	1.3	1.4	7.4
Moderate-Income	15	33.3	29.9	25.2	16.1	27.4
Middle-Income	16	35.6	35.4	35.0	57.7	33.6
Upper-Income	12	26.7	30.8	38.5	24.8	31.6
N/A	0	0.0			0.0	0.0
Totals	45	100.0	100.0	100.0	100.0	100.0
Source: 2010 U.S. Census Data, 2013 D&B Data						

### Washington Non-MSA

The Washington Non-MSA AA consists of all geographies in Kittitas County. The population of the AA is 40,915, according to the 2010 U.S. Census.

Washington Non-MSA AA Characteristics						
Income Level	# of Tracts	% of Tracts	% of Households	% of Housing Units	% of Farms	% of Businesses
Low-Income	0	0.0	0.0	0.0	0.0	0.0
Moderate-Income	1	12.5	15.2	6.3	1.8	3.8
Middle-Income	4	50.0	47.1	45.8	41.6	60.5
Upper-Income	3	37.5	37.7	47.9	56.6	35.7
N/A	0	0.0			0.0	0.0
Totals	8	100.0	100.0	100.0	100.0	100.0
Source: 2010 U.S. Census Data, 2013 D&B Data						

## Wyoming

### Casper MSA

The Casper MSA AA consists of all geographies within Natrona County, which represents the entire MSA. The population of the AA was 75,450, according to the 2010 U.S. Census.

Casper MSA AA Characteristics						
Income Level	# of Tracts	% of Tracts	% of Households	% of Housing Units	% of Farms	% of Businesses
<b>Low-Income</b>	0	0.0	0.0	0.0	0.0	0.0
<b>Moderate-Income</b>	4	22.2	19.4	18.8	21.3	30.2
<b>Middle-Income</b>	9	50.0	54.8	54.6	35.2	45.4
<b>Upper-Income</b>	5	27.8	25.8	26.6	43.5	24.4
<b>N/A</b>	0	0.0			0.0	0.0
<b>Totals</b>	18	100.0	100.0	100.0	100.0	100.0
<i>Source: 2010 U.S. Census Data, 2013 D&amp;B Data</i>						

### Cheyenne MSA

The Cheyenne MSA AA consists of all geographies within Laramie County, which represents the entire MSA. The population of the AA was 91,738, according to the 2010 U.S. Census.

Cheyenne MSA AA Characteristics						
Income Level	# of Tracts	% of Tracts	% of Households	% of Housing Units	% of Farms	% of Businesses
<b>Low-Income</b>	0	0.0	0.0	0.0	0.0	0.0
<b>Moderate-Income</b>	6	28.5	32.0	32.9	16.5	43.2
<b>Middle-Income</b>	9	42.9	46.6	45.9	55.0	32.0
<b>Upper-Income</b>	5	23.8	21.4	21.2	28.5	24.3
<b>N/A</b>	1	4.8			0.0	0.5
<b>Totals</b>	21	100.0	100.0	100.0	100.0	100.0
<i>Source: 2010 U.S. Census Data, 2013 D&amp;B Data</i>						